



PRINCETON

TEXAS

Comprehensive Annual Financial Report

Fiscal Year Ended September 30, 2019



"It is the mission of the City of Princeton to provide high quality of life through essential municipal services, infrastructure, public safety and recreation, while welcoming growth through effective and fiscally responsible government."

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2019

City of Princeton, Texas

City Manager
Derek Borg

Director of Finance
Carron Prigmore

**CITY OF PRINCETON, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

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March 23, 2020

Honorable Mayor and Members of the City Council
City of Princeton
Princeton, Texas

Dear Mayor and Council Members:

The Comprehensive Annual Financial Report (“CAFR”) of the City of Princeton, Texas for the fiscal year ended September 30, 2019 is submitted herewith.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that is established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatement.

LaFollett and Company, PLLC has issued an unmodified (“clean”) opinion on the City of Princeton’s financial statements for the year ended September 30, 2019. The independent auditor’s report is located in the beginning of the financial statement section of the CAFR.

This letter of transmittal is designed to complement Management’s Discussion and Analysis (MD&A) and should be read in conjunction with it. The City’s MD&A can be found immediately following the independent auditors’ report and provides a narrative introduction, overview and analysis of the basic financial statements.

GENERAL INFORMATION – CITY OF PRINCETON

In the late 1870s, T.B. Wilson and his brother George began farming near the site of future Princeton. In 1881, the Missouri, Kansas and Texas Railroad Company extended its line from Greenville to McKinney, passing through land owned by the brothers. The name Wilson’s Switch was commonly used to designate the area but when the residents of the community applied for a post office branch, they learned that the name Wilson was already being used. The name Princeton was then selected, to honor Prince Dowlin, a landowner and promoter of the town. This name was accepted and a post office was established in 1888.

Princeton is a rapidly growing City in Collin County, Texas. Princeton is located in northeast Collin County between the cities of McKinney and Greenville on U.S. Highway 380. Collin County is currently one of the fastest growing counties in Texas.

The City of Princeton is a political subdivision and operates under the General Law type “A” form of government. Policy-making and legislative authority are vested in the governing council, which consists of a Mayor and five-member council.

The financial reporting entity (the government) includes all the funds of the primary government. The government provides a full range of services including police protection and a combination of paid and volunteer fire department, sanitation services; community development; code enforcement; two public parks, and a city library; the construction and operation of water, sewer, drainage, solid waste services, and infrastructure; and cultural events.

ECONOMIC CONDITIONS AND OUTLOOK

Princeton is located in the eastern part of Collin County, approximately six miles east of U.S. Highway 75 that connects Dallas to Oklahoma and on U.S. 380, the primary regional transportation artery that connects Texas to New Mexico on the west and to I-30 on the east. The City is approximately thirty-eight miles from DFW International Airport, which is centrally located between Dallas and Ft. Worth.

The neighboring City of McKinney, Texas is located immediately west of Princeton. The City of McKinney has experienced remarkable growth over the past ten years, growing to over 155,142 residents. This growth has extended to the east into Princeton and development has been steadily increasing over the past year. Since 1980, Collin County has been a growth center in the state, moving north and reaching Princeton and other small cities over the past decade. The estimated population of Princeton was 9,356 for 2015 and is estimated at 10,632 in 2016. The projected growth rate for the next five years is estimated to be above 13%.

The City is continuing to grow as the economy remains stable. Several new residential developments have started construction on new lots. Princeton was noted as the 5th fastest growing community in North Texas in the December 2019 Issue of the Dallas Business Journal. Using an average of 3 persons per household, the population is currently estimated at 19,200. There also are several retail and commercial projects that are currently being reviewed for construction in the near future.

According to the *Dallas Morning News*, Collin County is set to have over 2.4 million residents by 2050, according to the Texas Demographic Center. That's more than three times its population in 2010. Other estimates put the county's 2050 population as high as 3.5 million. To put that in perspective, according to 2017 population estimates from the U.S. Census Bureau, Dallas County had 2.6 million residents and Tarrant County just over 2 million.

A lot of the county's growth, is driven by businesses moving to the area. In the last several years, dozens of companies have set up shop in Collin County. Toyota has settled in Plano. Raytheon is in McKinney. The Dallas Cowboys are in Frisco.

Economic Indicators and Tax Rate

- The new 108-acre business park, now named the *Bois D'Arc Business Park*, sponsored by the Princeton Economic Development Corporation, is now marketing and selling properties to new businesses. The first to make their mark in the new park is a company constructing 3 new mixed use buildings with a storage facility located behind the mixed use.
- Several new businesses including a Car wash, Wendy's, Panda Express, Jiffy Lube, 7-Eleven, and others have located their establishments here in Princeton paving the way for many new jobs.
- The Princeton ISD is a public school district and continues to build new facilities to keep up with the growth. There are now 4 elementary schools, 3 intermediate schools, and 1 high school. There is a new high school currently under construction.
- Princeton receives its water from North Texas Municipal Water District in Wylie, Texas. The District supplies water to most of the communities in North Texas, and is expanding its capability by building an additional reservoir at the Lower Bois D'Arc Creek location. This is now under construction and will serve the growth of the region well into the future.

- Property tax revenues increased 32% over FY2018. It is estimated that over 50% of this increase is due to additions to the tax roll from new properties.
- Sales tax revenues increased 16% over FY2018 and is projected that this increase will continue into the new budget year.

Long Term Financial Planning and Capital Improvements

Princeton just completed its planning process for an Overlay District for the older downtown area. The new overlay district will allow for new development but provide flexibility when it comes to style and architecture.

Princeton is in the process of doing its Impact fee update to insure the funds are appropriately collected from the development for the future growth in capacity. We keep a close eye on the sales tax and property values and work close with the Princeton EDC to identify potential opportunities to incentivize local business in order to support our local economy. In addition to this document interested parties are encouraged to read the FY 2020 Annual Budget. The Budget document outlines the individual components of the City's revenue and expenditures. The document also outlines strategic long term planning principals and goals, along with the capital improvement planning and projects.

Major Capital Improvement Projects Underway or Under Design

Some of the street reconstruction projects include: The completion of the eastbound lanes and a bridge on Monte Carlo Dr., the Completion of the reconstruction of C.R.1219, 2nd St. and, Dogwood, East McKinney, Jefferson, McLain, 3rd St., Royal, San Remo, Tickey Dr. are all under design.

Some of the new facilities coming include: New public space and Municipal Center, soccer fields, walking trails, Community Center funded by the Princeton CDC,

Water and waste water projects: Princeton is under construction of its new pump station at Forest Grove, a new 36" waste water line accessing the north Texas lift station on Myrick Lane, adding a chemical feed at the Dogwood pump station, and designing a new section of 12" water line along US 380.

A detailed description and list can be found in the 2020 FY budget, it outlines all of the capital improvement projects and opinions of probable cost.

Accounting Procedures and Budgetary Concepts

The City's accounting records for general government are maintained on a modified accrual basis with revenues being recorded when available and measurable, and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's water and sewer utility and other proprietary activities are maintained on the accrual basis.

In accordance with the City's Budget Policy, the budgetary process begins each year with the preparation of both current and proposed year revenue estimates by the City's Director of Finance, and expenditure estimates by each City department. Budgets are reviewed by the City Manager and the Director of Finance, and a preliminary draft of the proposed budget is submitted to the Mayor for review. Following the Mayor's review, the draft budget is referenced during budget workshops. It is the responsibility of the Mayor to present the City's annual operating budget to the City Council for their approval.

As part of each year's budget development process, departments are required to update expenditure estimates for the current fiscal year. These estimates are reviewed by the City Manager, Director of Finance, and the City Council concurrent with review of the proposed budget. This re-estimated budget may require a supplemental appropriation and, if so, such supplemental appropriation is approved by ordinance adopted by the City Council prior to the end of

the current fiscal year. The legal level of budgetary control is maintained at the fund level – budget amendments increasing total expenditures within a fund require formal approval by the City Council.

It is the goal of the City to achieve and maintain an unassigned fund balance in the General Fund equal to 90 days of expenditures. If unassigned fund balance falls below the goal or has a deficiency, the City will implement a plan to restore the 90-day unassigned fund balance reserves.

During the course of the fiscal year, expenditure controls are maintained by each department head with overall review exercised by the Director of Finance. Monthly departmental expenditures are generated by an automated management accounting system and provide expenditure totals for the most recently completed month, as well as a year-to-date total, and an actual versus planned rate of expenditure. Major expenditure requests are approved by the City Council when the budget is approved.

The objective of these controls is to regulate expenditures to be in accordance with the budget and the directives of City Council. These controls are inherently limited by the segregation of duties of a small government.

General Governmental Functions

Tax Rates: All eligible property with the City is subject to assessment, levy, and collection by the City of a continuing, direct ad valorem tax sufficient to provide for the payment of principal and interest on outstanding bonds within the limits prescribed by law, and the payment of operation and maintenance costs as approved by the City Council. The City's tax rate history as adopted by the City Council is shown below:

<u>Tax Rate</u>	
2015-2016	0.691886
2016-2017	0.689890
2017-2018	0.689890
2018-2019	0.688820
2019-2020	0.676299

OTHER INFORMATION

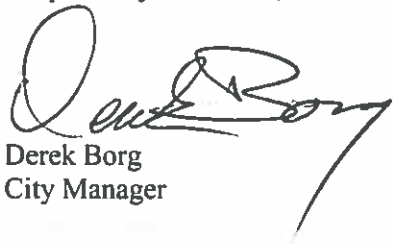
Independent Audit: The City of Princeton has engaged the firm of LaFollett and Company PLLC to perform the annual audit and their opinion has been included in this report. It should be noted that the auditors included all funds in their audit, performed their audit in accordance with generally accepted auditing standards, and state that, in their opinion, the statements herein present fairly, in all material respects, the financial position of the City at September 30, 2019 and the changes in financial position and cash flows of its proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Acknowledgements

Many persons are responsible for the preparation of this report, and for the maintenance of records upon which it is based. Appreciation is expressed to the City employees throughout the organization, especially those of the Finance Department who were instrumental in the successful completion of this report.

Our appreciation is also extended to the Mayor and City Council for providing the resources necessary to maintain the integrity of the City's financial affairs.

Respectfully submitted,



Derek Borg
City Manager



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Princeton
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

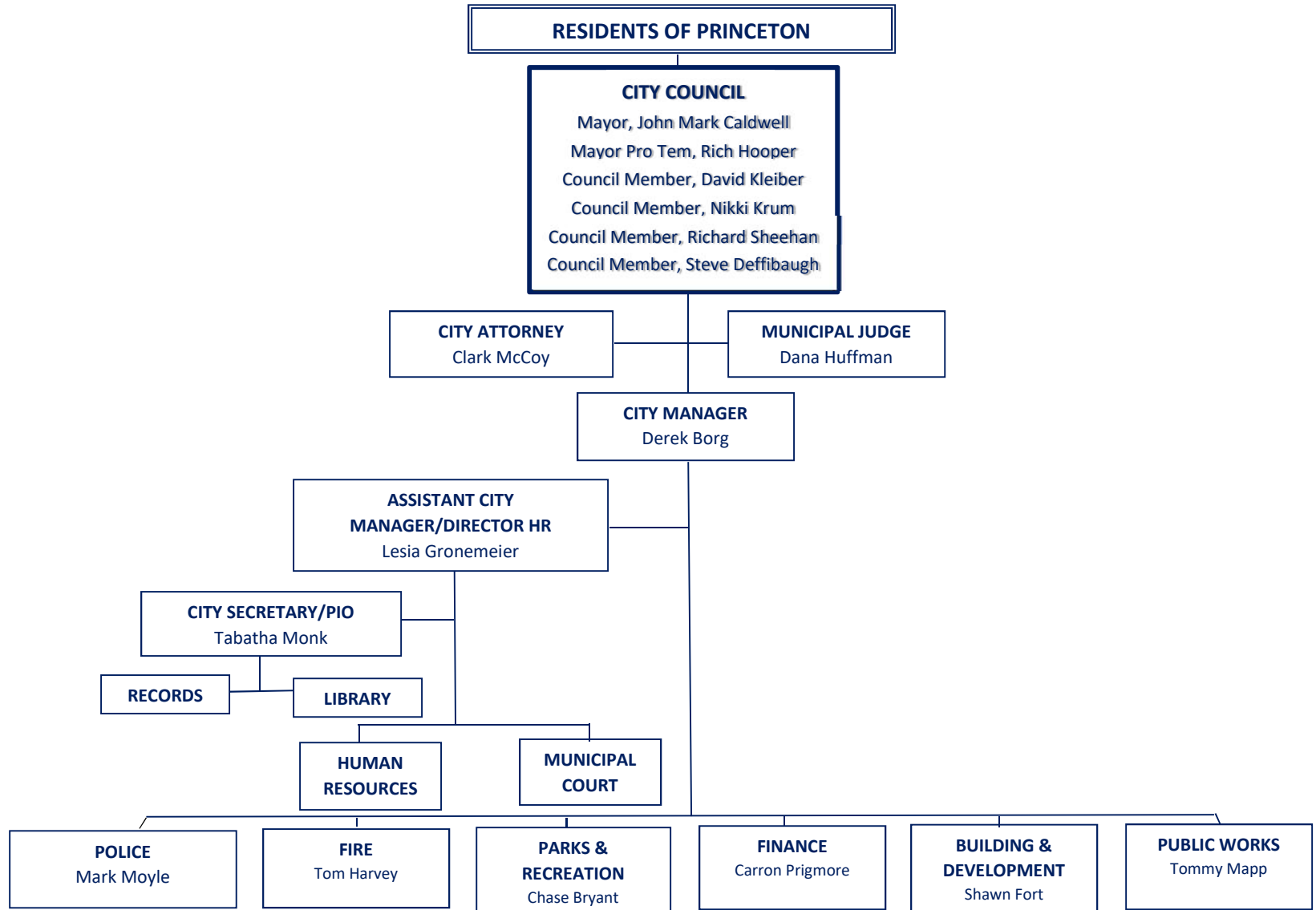
September 30, 2018

Christopher P. Morill

Executive Director/CEO

CITY OF PRINCETON

Organization Chart



CITY OF PRINCETON, TEXAS

For the year ended September 30, 2019

City Council

John-Mark Caldwell, Mayor

Rich Hooper, Mayor Pro-Tem

David Kleiber

Nikki Krum

Steve Deffibaugh



FINANCIAL SECTION





INDEPENDENT AUDITOR'S REPORT

To the City Council of the
City of Princeton, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Princeton, Texas (the City), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Princeton, Texas, as of September 30, 2019, and the respective changes in financial position, and where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 3-15 and the required supplementary information as listed on the table of contents on pages 68-71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The individual fund financial statements and schedules on pages 74-84 and statistical section on pages 87-109 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion on them or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Princeton, Texas internal control over financial reporting and compliance.



LaFollett & Company PLLC
Tom Bean, Texas
March 23, 2020

CITY OF PRINCETON, TEXAS

MANAGEMENT DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2019

As management of the City of Princeton ("City"), we offer the readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative:

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows at the close of the fiscal year by \$77,821,541 (net position). Of this amount, \$18,761,188 or 24%, is restricted for certain purposes. The unrestricted net position of \$21,828,520, or 28%, may be used to meet the City's ongoing obligations to its citizens and creditors in accordance with fund designation and fiscal practices.
- The City's total net position increased by \$16,564,542. This increase is primarily a result of an increase in property tax collections and developer contributions in both governmental and business-type activities.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$15,279,103, an increase of \$7,814,446, or 105%, in comparison with the prior year. This increase is attributed less monies spent on equipment purchases, street improvements and an increase in collection of ad valorem taxes.
- At the end of the current fiscal year, unassigned fund balance for the General Fund of \$1,930,490 was 22% of total General Fund expenditures for the fiscal year.
- In the government-wide statement, the City's total long-term obligations increased by \$5,363,437, or 20%. This is primarily due to the City issuing 2019 Tax Note.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, in a manner similar to that of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The Statement of Net Position presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. To assess the overall health of the City, other non-financial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused compensated absences). Both the Statement of Net Position and the Statement of Activities are prepared utilizing the accrual basis of accounting.

The government-wide statements, pages 19 – 21, are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes, sales taxes and charge for services finance most of these activities. The business-type activities are those that the City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system and storm water drainage activity are reported as business-type activities. The final category is the component units. The City includes two separate legal entities in its report – the Princeton Economic Development Corporation and the Princeton Community Development Corporation. Although legally separate, these component units are important because the City is financially accountable for them.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like all other governmental entities in Texas, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary fund.

Governmental Funds – Governmental funds are used to account for the majority of the City's activities, which are essentially the same functions as governmental activities in the government-wide statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as resources available for future spending at the end of the fiscal year. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. When compared with similar information in the broader government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliation is provided that details the relationships or differences between governmental activities and governmental funds; reconciliation follows the fund financial statements.

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, TIRZ Fund, Debt Service Fund, and Capital Projects Funds, all of which are considered to be major funds. The basic governmental fund financial statements can be found on pages 22 – 25 of this report.

**CITY OF PRINCETON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2019**

The City adopts an annual budget for its General Fund and Debt Service Fund, as required by the General Statutes. The budgets are a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund and Debt Service Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison schedule uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The schedule shows four columns: 1) original budget; 2) the final budget as amended by the council; 3) the actual resources, charges to appropriations, and ending balances; and 4) the difference or variance between the final budget and the actual resources and charges. The General Fund Budgetary Comparison Schedule can be found on page 26.

Proprietary Funds – The City has one type of proprietary fund – Enterprise Fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations and storm water drainage operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operations and the storm water drainage fund.

The basic proprietary fund financial statements can be found on pages 27 - 28 of this report.

Fiduciary Responsibilities

The City is the trustee, or fiduciary, for certain amounts held on behalf of the developers. All of the fiduciary activities are reported in a separate Statement of Fiduciary Net Position. The activities of these funds are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

The basic fiduciary fund financial statement can be found in pages 30 - 31.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 32 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits and net pension liability. This information is on pages 68 - 71 of this report.

New GASB Pronouncements

GASB Statement No. 87, "Leases", was issued to improve accounting and financial reporting for leases by government. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The City is currently evaluating potential changes to the financial statements as a result of the implementation of this statement.

**CITY OF PRINCETON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2019**

GASB Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period", was issued to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplify accounting for interest cost incurred before the end of a construction period. Such interest cost that was previously accounted for in accordance with the requirements of Statement No. 62 and AICPA Pronouncements requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with government fund accounting principles. The implementation of this statement had no effect on the financial statements.

GASB Statement No. 90, "Majority Equity Interest-an amendment of GASB Statements No. 14 and No. 61", was issued to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization. The City is currently evaluating potential changes to the financial statements as a result of the implementation of this statement.

GASB Statement No. 91, "Conduit Debt Obligations", was issued to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice. The implementation of this statement had no effect on the financial statements.



CITY OF PRINCETON, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2019

	NET POSITION					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 19,226,963	\$ 10,236,455	\$ 13,299,616	\$ 9,079,270	\$ 32,526,579	\$ 19,315,725
Capital assets	49,152,504	42,642,240	32,969,012	29,205,377	82,121,516	71,847,617
Total assets	68,379,467	52,878,695	46,268,628	38,284,647	114,648,095	91,163,342
Deferred outflow - pension	616,824	164,977	535,476	421,569	1,152,300	586,546
Long-term liabilities	25,616,476	19,179,959	8,562,591	8,861,982	34,179,067	28,041,941
Other liabilities	1,096,876	1,059,756	2,697,086	1,447,027	3,793,962	2,506,783
Total liabilities	26,713,352	20,239,715	11,259,677	10,309,009	37,973,029	30,548,724
Deferred inflow - pension	4,510	-	1,315	-	5,825	-
Net position:						
Investment in capital assets	12,622,746	22,926,273	24,609,087	20,496,075	37,231,833	43,422,348
Restricted	13,237,763	7,211,360	5,523,425	3,465,755	18,761,188	10,677,115
Unrestricted	16,417,920	2,666,324	5,410,600	4,435,377	21,828,520	7,101,701
Total net position	\$ 42,278,429	\$ 32,803,957	\$ 35,543,112	\$ 28,397,207	\$ 77,821,541	\$ 61,201,164

As noted earlier, net position may serve over time as one useful indicator of a government's financial position. The combined net position of the City was \$77,821,541 as of September 30, 2019. The City's net position increased \$16,564,542, excluding prior period adjustment, for the fiscal year ended September 30, 2019.

Net invested in capital assets:

The largest portion, \$37,231,833, or 49%, reflects the City's investment in capital assets (i.e., land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

Restricted net position:

The restricted net position of \$18,761,188, or 24%, of total net position represents resources that are subject to external restrictions on their use or by enabling legislation or outside third parties. Restricted net position is comprised of state/federal and contractually imposed restrictions which are: \$896,726, or 5%, for debt service requirements, capital improvements of \$17,736,494 or, 95%, that includes impact fees, PEG fees, and TIRZ ad valorem taxes, and use by court of \$127,968, or 1%.

Unrestricted net position:

Unrestricted net position of \$21,828,520, or 27%, is available to fund City programs to citizens and debt to creditors. The significant increase in unrestricted net position is due, in part, to the collection of building permits issued during the fiscal year and higher assessed property values.

CITY OF PRINCETON, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2019

	CHANGES IN NET POSITION					
	Governmental Activities		Business Activities		Totals	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charges for services	\$ 6,792,905	\$ 5,707,888	\$ 12,037,843	\$ 12,680,000	\$ 18,830,748	\$ 18,387,888
Operating grants and contributions	537,984	477,699	800	-	538,784	477,699
Capital grants and contributions	6,134,007	9,084,326	4,558,040	5,517,586	10,692,047	14,601,912
General Revenues:						
Property taxes	6,053,199	4,581,813	-	-	6,053,199	4,581,813
Sales taxes	1,540,373	1,327,813	-	-	1,540,373	1,327,813
Franchise taxes	401,613	338,887	-	-	401,613	338,887
Other taxes	4,466	5,698	-	-	4,466	5,698
Investment income	248,494	112,237	165,375	80,657	413,869	192,894
Donations-not restricted for specific purpose	365	365	-	-	365	365
Miscellaneous	23,171	28,387	62,274	41,261	85,445	69,648
Total revenues	21,736,577	21,665,113	16,824,332	18,319,504	38,560,909	39,984,617
Expenses:						
General government	2,332,105	1,009,624	-	-	2,332,105	1,009,624
Public safety	4,559,343	4,014,770	-	-	4,559,343	4,014,770
Library	251,596	169,895	-	-	251,596	169,895
Public services and operations	1,217,468	1,353,362	-	-	1,217,468	1,353,362
Parks and recreation	1,000,471	706,987	-	-	1,000,471	706,987
Public works	2,672,048	1,743,261	-	-	2,672,048	1,743,261
Water and sewer	-	-	8,711,824	7,035,712	8,711,824	7,035,712
Storm water drainage	-	-	409,731	512,114	409,731	512,114
Interest on long-term debt	538,930	623,667	302,851	309,241	841,781	932,908
Total expenses	12,571,961	9,621,566	9,424,406	7,857,067	21,996,367	17,478,633
Increase/(decrease) in net position before transfers	9,164,616	12,043,547	7,399,926	10,462,437	16,564,542	22,505,984
Transfers	254,021	(317,115)	(254,021)	317,115	-	-
Increase/(decrease) in net position	9,418,637	11,726,432	7,145,905	10,779,552	16,564,542	22,505,984
Net position - beginning of year	32,803,957	21,135,735	28,397,207	17,633,915	61,201,164	38,769,650
Cumulative effect of change in accounting principle	-	(44,685)	-	(16,260)	-	(60,945)
Prior period adjustments	55,835	(13,525)	-	-	55,835	(13,525)
Net position - end of year	\$ 42,278,429	\$ 32,803,957	\$ 35,543,112	\$ 28,397,207	\$ 77,821,541	\$ 61,201,164

Governmental activities increased net position by \$9,418,637, excluding prior period adjustment, in comparison to the prior year. Of this increase, property tax revenues is the largest portion accounting for \$1,471,386, or 16%, and charge for services increased \$1,085,017, or 12%. The significant increase in property tax is due to properties that were added to the tax roll during the fiscal year with the continued development within the City.

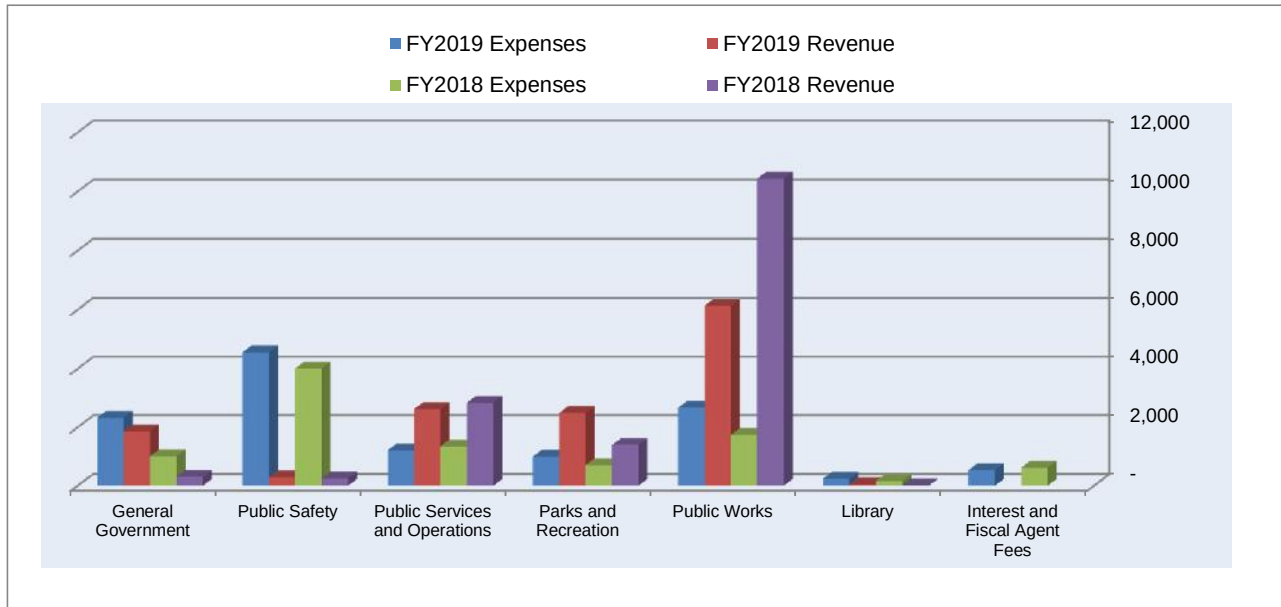
Business-type activities increased net position by \$7,145,905. A portion of the increase in net position is due to the developer contributions of \$2,582,828, that accounts for 36% of this current year increase. Along with the new solid waste contract that was signed in June 2019 and the addition of approximately 500 customers added to the water/wastewater system during the fiscal year, the ratio of revenues over expenditures accounts for the total increase in net position.

**CITY OF PRINCETON, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2019**

Expenses and Program Revenues - Governmental Activities

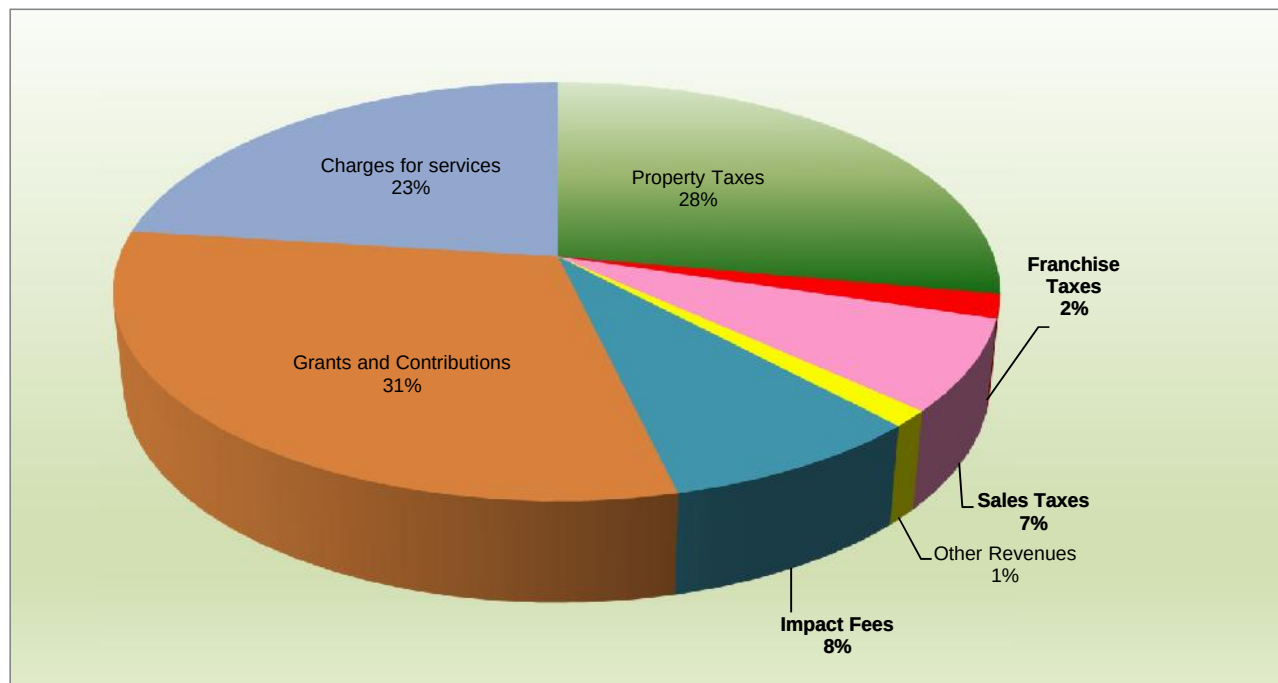
The following chart illustrates the relationship between expenses and program revenues for governmental type activities:

(amounts expressed in thousands)



The following chart visually illustrates the City's revenues by sources for governmental activities:

Revenues by Source - Governmental Activities



CITY OF PRINCETON, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2019

Total revenues for the City's governmental activities increased \$71,462, or 0.33%. Major components of revenue increases and decreases are explained as follows:

- * Property tax collections increased \$1,471,386, or 32%, due to new properties being added to the tax roll.
- * Sales tax collections increased \$212,560, or 16% over prior year collections.
- * Charge for services increased \$1,085,017, or 19%. This is due to the negotiation of PID Fees from developers to assist with park improvements.
- * Capital contributions decreased (\$2,907,319), or (32%) due to less infrastructure construction completed by developers.

Expenditures for the City's governmental activities increased \$2,950,395, or 31%. Components of increases and decreases are explained as follows:

- * Expenses include employee annual merit increases and salary market adjustments, and adding nine full-time equivalent positions to maintain current levels of service. In addition, the net pension liability increased from fiscal year 2018 to fiscal year 2019.
- * Public Safety increased \$544,573, or 31%. This increase includes four additional patrol officers and two additional firefighters.
- * General Government increased \$1,322,481, or 131%. This increase includes \$1,245,000 in intergovernmental expense for CDC's portion of the 2019 Tax Note for the improvements to the Community Center.
- * Increased investment in capital assets triggered depreciation expense to rise \$844,328, or 58%.

Debt Service Fund

Debt Service fund balance decreased \$1,439,741, or 161%. Callable bonds were paid in full for the 2009 Certificates of Obligation in forecasting new debt to be issued in fiscal year 2020.

Capital Projects Funds

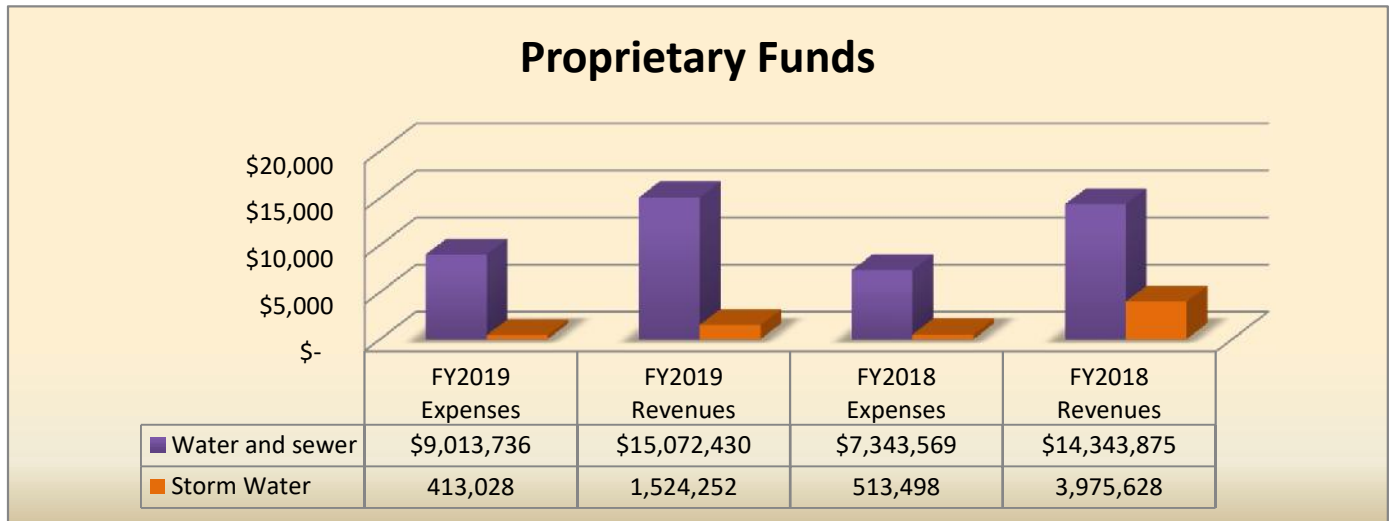
The governmental capital projects fund balances increased \$7,287,300, or 424%. This is due to the issuance of \$7,790,000 for the 2019 Tax Note.



Expenditures and Program Revenues - Business-type Activities

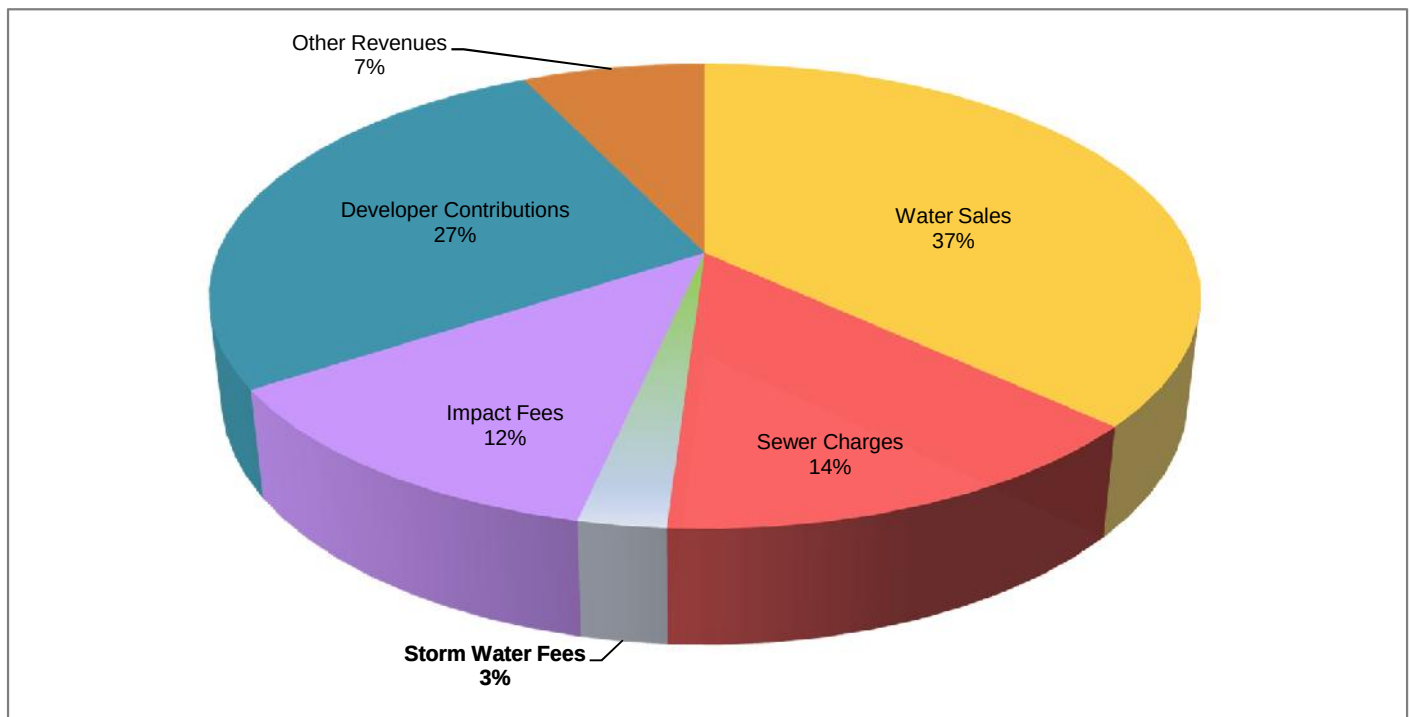
Revenues - The following chart visually illustrates the City's revenue by sources for business-type activities:

(amounts expressed in thousands)



Revenues by Source - Business-type Activities

Revenues - The following chart visually illustrates the City's revenue by sources for business-type activities:



CITY OF PRINCETON, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2019

Revenues from business-type activities decreased, (\$1,495,172), or (8%). Major components of the net decrease are as follows:

- * Charge for services increased \$764,105, or 6%, due to more customers being added each year. Water sales increased \$341,324 and sewer revenues increased \$260,550. A new solid waste contract was signed with a new contractor and garbage fees increased by \$225,250.
- * Utility impact fees collected increased \$394,370, or 10%.
- * Capital contributions decreased \$2,934,758, or (53%). This is due to less infrastructure being built during the current fiscal year. There are several large development currently being constructed and these capital contributions are expected to continue.

Expenses for business-type activities increased, \$1,569,697, or 20%. The major component for this increase is:

- * Increased costs associated with North Texas Municipal Water District and Greater Texoma Utility Authority of \$708,953, or 9% as these entities proceed with capital expansion plans that increased the City's costs associated with water and sewer service.



**CITY OF PRINCETON, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2019**

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. Specifically, unassigned fund balance serves as a useful measure of the City's resources available for spending at the end of the fiscal year.

At September 30, 2019, the City's governmental funds reported combined ending fund balances of \$16,157,312, a 61% increase in comparison with the prior year, excluding prior period adjustment. Of this amount, \$1,930,490, or 12%, is unassigned fund balance.

- Nonspendable fund balance of \$49,137, or 0.3%, of total fund balance consists of amounts that are not spendable in form and are contractually required to be maintained intact. These amounts are as follows:
 - \$33,282, or 67.7%, is for prepaid items; and
 - \$15,855, or 32.3%, is for inventory of fuel.
- Restricted fund balances of \$10,844,533, or 67.1%, of total fund balance consists of amounts restricted by external laws or contractual obligations. These are as follows:
 - \$896,726, or 8.3%, for debt service requirements;
 - \$127,968, or 1.2%, for state imposed restrictions for use of court fees;
 - \$9,819,839, or 90.6%, for capital improvements that includes:
 - \$2,403,938 for the construction of a new fire station; \$6,187,852 for street improvements; and \$1,228,048 for park improvements. The 2019 Tax Note proceeds accounts for \$5,664,530, or 57%, of this fund balance.
- Committed fund balance of \$615,477, or 4%, that was approved by the City Council is for capital replacement and improvements as follows:
 - \$560,571, or 91.1%, for parks and recreation capital replacement and park improvements collected from developer fees;
 - \$22,806, or 3.7%, for public safety for capital replacement;
 - \$19,600, or 3.2%, for public works for capital replacement; and
 - \$12,500, or 2.%, for development for capital replacement.
- Assigned fund balance of \$1,839,466, or 11%, of total fund balance, are as follows:
 - \$984,621, or 54%, is for public safety paid by negotiated PID fee from developer for construction of additional fire station;
 - \$854,845, or 46.%, is for the parks and recreation by collection of negotiated PID fee from developer.

The General Fund is the chief operating fund of the City and had an unassigned fund balance of \$1,930,490, at the end of the current fiscal year. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total expenditures. Unassigned fund balance represents 22% of total General Fund expenditures.

Other Governmental Funds - As compared with the prior year, the total fund balances of the remaining governmental funds increased 14.17%, or \$876,474, excluding prior period adjustments, with the following significant changes:

- The fund balance of the Debt Service Fund increased 27.%, or \$236,982, not including prior period adjustment.
- The fund balance of the Capital Improvement Funds increased 177%, or \$6,827,061, not including prior period adjustment. This is due to proceeds from the 2019 Tax Note.

Proprietary Funds

The City's proprietary fund statements provide essentially the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the proprietary funds at the end of the fiscal year amounted to \$5,410,600, a 93% increase over the prior year. This is due to an increase in impact fees and charge for services.

General Fund Budgetary Highlights: During the fiscal year, the City revised the budget. Generally, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and (3) increase in appropriations that become necessary to maintain services.

CITY OF PRINCETON, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2019

Capital Assets and Debt Administration

Capital assets - The City's investment in capital assets for its governmental and business-type activities as of September 30, 2019, totals \$82,121,516 (net of accumulated depreciation). These assets include land, buildings, improvements, infrastructure, machinery & equipment, vehicles and construction in progress. The total increase in capital assets for the current fiscal year was approximately 14.3%.

Major capital asset events during the current fiscal year included the following:

- Contribution of street infrastructure from developers \$ 4,017,511
- Contribution of water/sewer infrastructure from developers \$ 3,442,876
- Contribution of storm water drainage infrastructure from developers \$ 1,115,164
- J M Caldwell dog park completed \$ 419,086
- Parkview Heights Park improvements completed \$ 527,656
- Several major infrastructure improvement projects ongoing or completed for streets and water/sewer

Capital Assets
(net of accumulated depreciation)
September 30, 2019

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Land	\$ 1,759,675	\$ 1,759,675	\$ 264,013	\$ 264,013	\$ 2,023,688	\$ 2,023,688
Infrastructure	38,573,522	34,253,347	31,956,077	27,316,109	70,529,599	61,569,456
Building & improvements	3,449,402	3,574,101	123,582	129,168	3,572,984	3,703,269
Machinery & equipment	1,447,969	1,381,584	485,115	600,083	1,933,084	1,981,667
Construction in progress	3,921,936	1,673,533	140,225	896,004	4,062,161	2,569,537
Total	<u>\$ 49,152,504</u>	<u>\$ 42,642,240</u>	<u>\$ 32,969,012</u>	<u>\$ 29,205,377</u>	<u>\$ 82,121,516</u>	<u>\$ 71,847,617</u>

More detailed information about the City's capital assets is presented in Note F to the financial statements.

Long-term Debt - As of September 30, 2019, the City had \$32,777,373 in long-term obligations. This represents an increase of \$5,363,437, or 20%, in comparison with the prior year. The 2019 Tax Note proceeds for capital improvements accounts for this increase.

Outstanding Debt
September 30, 2019

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
General Obligation Bonds & Certificates of Obligation	\$ 15,222,090	\$ 17,077,802	\$ 7,780,419	\$ 8,112,610	\$ 23,002,509	\$ 25,190,412
Tax Note	7,790,000	-	-	-	7,790,000	-
Capital Leases	1,511,887	1,626,832	472,977	596,692	1,984,864	2,223,524
	<u>\$ 24,523,977</u>	<u>\$ 18,704,634</u>	<u>\$ 8,253,396</u>	<u>\$ 8,709,302</u>	<u>\$ 32,777,373</u>	<u>\$ 27,413,936</u>

More detailed information about the City's long-term obligations is presented in Note H to the financial statements.

**CITY OF PRINCETON, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2019**

Economic Factors and Next Year's Budgets and Rates

The City of Princeton, Texas continues to be financially strong. The priority for fiscal year 2020 continues to be maintaining quality service while observing prudent spending practices.

Highlights of the 2020 budget include:

- Balance budget with total revenues equal to or greater than total expenditures;
- Property tax rate reduced \$0.12521 cents per \$100 assessed value
- Total City Budget of \$18,070,179.
- General Fund budget \$10,172,551

The FY2019-2020 budget incorporates the effective property tax rate of \$0.676299 per \$100 valuation. This is a slight decrease in rate from FY2018-2019. The budget will raise more total property taxes by \$972,894, or 17.34%. Of this amount, \$892,430 is from new property added to the tax roll.

For fiscal year 2019-2020, the water and wastewater (sewer) rates will not increase. However, the revenues are expected to increase slightly due to customers being added to the City's system.

Some of the more significant upcoming capital projects are as follows:

- Continue to rehabilitate City streets and roadways
- Major improvements to several lift stations and replace water/sewer lines
- Continue with park improvements and adding open space dedicated to parks

The City's budget continues to be positively impacted by strong growth and conservative fiscal management. The FY2020 budget reflects the efforts of the governing body and City staff to address the need to provide services and facilities to support our growing community while maintaining a strong financial position.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in the government's finances. Questions concerning the information found in this report or requests for additional financial information should be directed to the Director of Finance, 123 W. Princeton Drive, Princeton Texas 75422.



BASIC FINANCIAL STATEMENTS



CITY OF PRINCETON, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

	Primary Government			Component Unit	
	Governmental Activities	Business-type Activities	Total	EDC	CDC
ASSETS					
Cash and cash equivalents	\$ 4,618,850	\$ 3,696,541	\$ 8,315,391	\$ 1,385,473	\$ 1,775,044
Receivables, net of allowance for uncollectibles	596,069	1,635,604	2,231,673	139,320	139,320
Inventory	15,855	54,634	70,489	-	-
Prepayments and other assets	33,282	19,010	52,292	2,000	2,000
Restricted assets:					
Cash and cash equivalents	11,159,384	6,024,658	17,184,042	-	-
Notes receivable - component units	2,803,523	-	2,803,523	-	-
Deposits held in trust-GTUA	-	1,869,169	1,869,169	-	-
Capital assets not being depreciated					
Land	1,759,675	264,013	2,023,688	982,845	-
Construction in progress	3,921,936	140,225	4,062,161	-	187,514
Capital assets, net of accumulated depreciation:					
Machinery and equipment	1,447,969	485,115	1,933,084	6,419	-
Buildings and improvements	3,449,402	123,582	3,572,984	-	123,258
Infrastructure	38,573,522	31,956,077	70,529,599	490,848	-
Total Assets	68,379,467	46,268,628	114,648,095	3,006,905	2,227,136
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflow of resources-pension	614,209	194,021	808,230	6,736	6,742
Deferred outflow of resources-OPEB	2,615	1,294	3,909	5	5
Deferred loss on bond refunding	-	340,161	340,161	-	-
Total deferred outflow of resources	616,824	535,476	1,152,300	6,741	6,747
LIABILITIES					
Accounts payable	760,882	498,869	1,259,751	44,691	5,585
Retainage payable	121,103	-	121,103	-	-
Accrued expenses	104,901	18,808	123,709	1,017	1,017
Accrued liabilities	1,392	14,288	15,680	-	-
Other liabilities	38,063	1,285,682	1,323,745	-	-
Accrued interest payable	70,535	39,015	109,550	-	-
Customer deposits	-	840,424	840,424	-	-
Non-current liabilities:					
Due within one year	2,648,015	362,334	3,010,349	75,000	202,333
Due in more than one year	22,968,461	8,200,257	31,168,718	1,138,155	1,414,478
Total Liabilities	26,713,352	11,259,677	37,973,029	1,258,863	1,623,413
DEFERRED INFLOWS OF RESOURCES					
Deferred inflow of resources-OPEB	4,510	1,315	5,825	53	53
NET POSITION					
Net investment in capital assets	12,622,746	24,609,087	37,231,833	273,693	310,772
Restricted for:					
Debt service	896,726	-	896,726	-	-
Use of impact fees	1,696,704	5,379,398	7,076,102	-	-
Capital improvements, including PEG fees	9,008,016	-	9,008,016	-	-
Storm water use	-	144,027	144,027	-	-
Court use	127,968	-	127,968	-	-
Tax increment financing	1,508,349	-	1,508,349	-	-
Unrestricted	16,417,920	5,410,600	21,828,520	1,481,037	299,645
Total Net Position	\$ 42,278,429	\$ 35,543,112	\$ 77,821,541	\$ 1,754,730	\$ 610,417

The notes to the financial statements are an integral part of this financial statement.

**CITY OF PRINCETON, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Function/Program Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General government	\$ 2,332,105	\$ 576,821	\$ 49,750	\$ 1,245,000
Public Safety	4,559,343	39,734	246,909	-
Library	251,596	7,186	44,690	-
Public services and operations	1,217,468	2,626,781	-	-
Parks and recreation	1,000,471	1,744,437	9,000	743,496
Public works	2,672,048	1,797,946	188,000	4,145,511
Interest on long-term debt	538,930	-	-	-
Total governmental activities	12,571,961	6,792,905	538,349	6,134,007
Business-type Activities:				
Water and sewer	9,011,378	11,629,555	-	3,442,876
Storm water drainage	413,028	408,288	800	1,115,164
Total business-type activities	9,424,406	12,037,843	800	4,558,040
Total primary government	21,996,367	18,830,748	539,149	10,692,047
Component Unit				
Economic Development Corporation	600,914	-	-	-
Community Development Corporation	888,068	-	-	-
Total component unit	\$ 1,488,982	\$ -	\$ -	\$ -

General revenues:

Property taxes
Sales taxes
Franchise taxes
Beverage taxes
Investment income
Miscellaneous
Transfers
Total general revenues and transfers
Change in net position
Net position - beginning
Prior period adjustment
Net position - ending

The notes to the financial statements are an integral part of this financial statement.

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Unit	
Governmental Activities	Business Activities	Total	EDC	CDC
\$ (460,534)	-	\$ (460,534)	\$ -	\$ -
(4,272,700)	-	(4,272,700)	-	-
(199,720)	-	(199,720)	-	-
1,409,313	-	1,409,313	-	-
1,496,462	-	1,496,462	-	-
3,459,409	-	3,459,409	-	-
(538,930)	-	(538,930)	-	-
893,300	-	893,300	-	-
-	6,061,053	6,061,053	-	-
-	1,111,224	1,111,224	-	-
-	7,172,277	7,172,277	-	-
893,300	7,172,277	8,065,577	-	-
-	-	-	(600,914)	-
-	-	-	-	(888,068)
\$ -	\$ -	\$ -	\$ (600,914)	\$ (888,068)
\$ 6,053,199	\$ -	\$ 6,053,199	\$ -	\$ -
1,540,373	-	1,540,373	769,635	769,636
401,613	-	401,613	-	-
4,466	-	4,466	-	-
248,494	165,375	413,869	32,626	24,886
23,171	62,274	85,445	-	-
254,021	(254,021)	-	-	-
8,525,337	(26,372)	8,498,965	802,261	794,522
9,418,637	7,145,905	16,564,542	201,347	(93,546)
32,803,957	28,397,207	61,201,164	1,553,382	703,964
55,835	-	55,835	-	-
\$ 42,278,429	\$ 35,543,112	\$ 77,821,541	\$ 1,754,729	\$ 610,418

The notes to the financial statements are an integral part of this financial statement.

**CITY OF PRINCETON, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019**

	General Fund	TIRZ #1 Fund	Debt Service Fund	Capital Projects Funds	Total
ASSETS					
Cash and cash equivalents	\$ 2,220,814	\$ -	\$ -	2,398,036	\$ 4,618,850
Receivables, net of allowance for uncollectibles	475,086	71,274	49,709	-	596,069
Notes receivable - component units	-	-	2,803,523	-	2,803,523
Prepayments and deposits	33,282	-	-	-	33,282
Inventory - fuel	15,855	-	-	-	15,855
Cash and cash equivalents - restricted	4,807	1,437,075	904,977	8,812,525	11,159,384
Total Assets	2,749,844	1,508,349	3,758,209	11,210,561	19,226,963
LIABILITIES					
Accounts payable	329,753	-	-	431,129	760,882
Retainage payable	-	-	-	121,103	121,103
Accrued expenditures	104,901	-	-	-	104,901
Accrued liabilities	39,455	-	-	-	39,455
Total Liabilities	474,109	-	-	552,232	1,026,341
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	47,260	-	57,960	-	105,220
Unearned revenues-notes receivable	-	-	2,803,523	-	2,803,523
Unavailable revenue-court	12,776	-	-	-	12,776
Total Deferred Inflows of Resources	60,036	-	2,861,483	-	2,921,519
Fund Balances					
Nonspendable					
Prepays	33,282	-	-	-	33,282
Inventory	15,855	-	-	-	15,855
Restricted for:					
Court use	127,968	-	-	-	127,968
Public safety	4,807	-	-	2,399,129	2,403,936
Notes receivable	-	-	2,803,523	-	2,803,523
Debt service	-	-	(1,906,797)	-	(1,906,797)
PEG	46,391	-	-	-	46,391
Tax increment financing	-	1,508,349	-	-	1,508,349
Capital improvements	-	-	-	5,861,163	5,861,163
Committed to:					
Parks and recreation	2,000	-	-	558,571	560,571
Public safety	22,806	-	-	-	22,806
Public works	19,600	-	-	-	19,600
Development	12,500	-	-	-	12,500
Assigned to:					
Public safety	-	-	-	984,621	984,621
Parks and recreation	-	-	-	854,845	854,845
Unassigned	1,930,490	-	-	-	1,930,490
Total Fund Balance	2,215,699	1,508,349	896,726	10,658,329	15,279,103
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,749,844	\$ 1,508,349	\$ 3,758,209	\$ 11,210,561	\$ 19,226,963

The notes to the financial statements are an integral part of this financial statement.

**CITY OF PRINCETON, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2019**

Total fund balances - governmental funds balance sheet **\$ 15,279,103**

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Governmental capital assets	58,994,862
Less: accumulated depreciation	(9,842,358)

Long-term liabilities that pertain to governmental funds are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Included with amounts related to net pension liability are deferred outflows of resources and deferred inflows of resources that are attributable to the multiple-employer pension plan. Balances at year-end are:

Bonds payable - General Obligation and Certificates of Obligation	(15,044,000)
Premiums and discounts incurred with issuance of debt - deferred and amortized	(178,090)
Tax Note payable	(7,790,000)
Capital Leases payable	(1,511,887)
Compensated absence balances	(429,866)
Net pension liability	(601,360)
Total OPEB liability	(61,273)
Deferred inflow of resources - pension plan	614,209
Deferred inflow of resources - OPEB	2,615

Interest payable on long-term debt does not require current financial resources, therefore, interest payable is not reported as a liability in the governmental funds balance sheet.	(70,535)
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Revenues earned but not available within sixty days of the year end are not recognized as revenue on the fund financial statements.	2,921,519
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Net position of governmental activities - statement of net position	\$ 42,278,429
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CITY OF PRINCETON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	General Fund	TIRZ #1 Fund	Debt Service	Capital Project Funds	Total Governmental Funds
REVENUE					
Taxes:					
Property	\$ 3,190,542	\$ 343,175	\$ 2,483,247	\$ -	\$ 6,016,964
Sales	1,158,937	381,436	-	-	1,540,373
Beverage	4,466	-	-	-	4,466
Franchise	401,613	-	-	-	401,613
Fines and forfeitures	249,793	-	-	-	249,793
Licenses and permits	1,197,053	-	-	-	1,197,053
Charge for services	1,382,034	-	-	631,176	2,013,210
Impact fees	-	-	-	1,797,946	1,797,946
Franchise fees	557,703	-	-	-	557,703
Donations	52,481	-	-	128,025	180,506
Developer fees	-	-	-	959,705	959,705
Intergovernmental revenue	447,069	16,300	118,199	558,362	1,139,930
Rental income	15,600	-	-	-	15,600
Investment income	145,213	-	20,492	82,789	248,494
Miscellaneous	22,173	-	-	-	22,173
Total revenues	8,824,677	740,911	2,621,938	4,158,003	16,345,529
EXPENDITURES					
Current:					
General government	1,040,988	3,009	1,247,891	-	2,291,888
Public safety	4,144,134	-	-	-	4,144,134
Library	216,026	-	-	-	216,026
Public works	732,114	-	-	170,982	903,096
Public services and operations	1,171,038	-	-	-	1,171,038
Parks and recreation	766,783	-	-	-	766,783
Capital outlays:					
General government	26,987	-	-	-	26,987
Public safety	174,795	-	-	57,335	232,130
Library	17,605	-	-	-	17,605
Public services	54,307	-	-	-	54,307
Public works	47,885	-	-	3,525,022	3,572,907
Parks and recreation	135,426	-	-	476,503	611,929
Debt service:					
Principal retirement	331,835	-	1,846,600	-	2,178,435
Issuance cost	-	-	63,840	-	63,840
Interest	44,457	-	503,586	-	548,043
Total expenditures	8,904,380	3,009	3,661,917	4,229,842	16,799,148
Excess (deficiency) of revenues over expenditures	(79,703)	737,902	(1,039,979)	(71,839)	(453,619)
OTHER FINANCING SOURCES (USES)					
Transfers	(24,078)	(107,762)	(6,513,039)	6,898,900	254,021
Sale of assets	7,154	-	-	-	7,154
Issuance of bonds/tax note	-	-	7,790,000	-	7,790,000
Issuance of capital lease	216,890	-	-	-	216,890
Total other financing sources (uses)	199,966	(107,762)	1,276,961	6,898,900	8,268,065
Net change in fund balances	120,263	630,140	236,982	6,827,061	7,814,446
Fund balances, beginning as restated	2,973,645	878,209	2,336,466	3,851,103	10,039,423
Prior period adjustments	-	-	(1,676,722)	(19,835)	(1,696,557)
Fund balances, ending	\$ 3,093,908	\$ 1,508,349	\$ 896,726	\$ 10,658,329	\$ 16,157,312

The notes to the financial statements are an integral part of this financial statement.

**CITY OF PRINCETON, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Net change in fund balances - statement of revenues, expenditures and changes in fund balances - governmental funds	\$ 7,814,446
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount of capital outlay during the current period.	4,515,865
Governmental funds focus on current financial resources. Therefore, donations of assets that will be used in operations rather than sold are never reported in governmental funds.	4,017,511
Depreciation on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation is not reported as expenditures in the governmental funds.	(2,306,388)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and discounts and similar items when debt is issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Issuance of debt - tax note	(7,790,000)
Issuance of debt - capital lease	(216,890)
Principal paid - bonds, tax note payable and capital leases payable	2,178,435
Premium and discounts on debt issuance	9,113
Certain expenses related to employee compensation and benefits are reported in the statement of activities but do not require the use of financial resources, and, therefore, are not reported as expenditures in governmental funds:	
Change in compensated absence balances	(128,803)
Change in net pension liability and deferred inflows/outflows	(32,476)
Change in total OPEB liability and deferred inflows/outflows	(8,557)
Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds	1,366,381
Change in net position - statement of activities	\$ 9,418,637

The notes to the financial statements are an integral part of this financial statement.

CITY OF PRINCETON, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES-BUDGET TO ACTUAL-GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes:				
Property	\$ 2,780,856	\$ 2,780,856	\$ 3,190,542	\$ 409,686
Sales	1,155,000	1,155,000	1,158,937	3,937
Beverage	3,000	3,000	4,466	1,466
Franchise	261,000	261,000	401,613	140,613
Fines and forfeitures	343,175	343,175	249,796	(93,379)
Licenses and permits	1,430,249	1,430,249	1,197,053	(233,196)
Charge for services	1,260,238	1,260,238	1,382,034	121,796
Donations	24,600	54,552	52,481	(2,071)
Administration fee	557,703	557,703	557,703	-
Intergovernmental revenue	306,155	410,428	447,069	36,641
Rental income	18,000	18,000	15,600	(2,400)
Investment income	16,000	16,000	145,213	129,213
Miscellaneous	10,300	10,300	22,170	11,870
Total Revenues	8,166,276	8,300,501	8,824,677	524,176
EXPENDITURES				
Current:				
General Government	963,759	998,045	1,040,988	(42,943)
Public Safety:				
Police	2,616,159	2,557,737	2,525,463	32,274
Fire	1,636,930	1,664,168	1,618,671	45,497
Library	200,628	217,188	216,026	1,162
Public Works	776,657	753,640	732,114	21,526
Public Services and Operations	1,144,766	1,172,734	1,171,038	1,696
Parks and Recreation	760,482	779,352	766,783	12,569
Capital Outlays				
General Government	15,000	26,987	26,987	-
Police	170,000	174,266	116,266	58,000
Fire	20,000	72,350	58,529	13,821
Library	500	17,605	17,605	-
Public Works	28,000	51,017	47,885	3,132
Public Services and Operations	39,000	56,307	54,307	2,000
Parks and Recreation	2,000	115,257	135,426	(20,169)
Debt Service				
Principal	294,126	328,178	331,835	(3,657)
Interest	39,074	44,389	44,457	(68)
Total Expenditures	8,707,081	9,029,220	8,904,380	124,840
Excess (deficiency) of revenues over (under) expenditures	(540,805)	(728,719)	(79,703)	649,016
Other Financing Sources (Uses)				
Transfers	-	-	(24,078)	(24,078)
Sale of Assets	-	-	7,154	7,154
Capital lease proceeds	220,500	288,390	216,890	(71,500)
Total Other Financing Sources (uses)	220,500	288,390	199,966	(88,424)
Net Change in Fund Balance	(320,305)	(440,329)	120,263	560,592
Fund Balance, October 1	2,973,645	2,973,645	2,973,645	
Fund Balance, September 30	\$ 2,653,340	\$ 2,533,316	\$ 3,093,908	

The notes to the financial statements are an integral part of this financial statement.

CITY OF PRINCETON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2019

	Water and Sewer	Storm Water Drainage	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,696,541	\$ -	\$ 3,696,541
Receivables, net of uncollectibles	1,110,348	56,176	1,166,524
Unbilled revenue	469,080	-	469,080
Prepayments and deposits	19,010	-	19,010
Inventory	54,634	-	54,634
Total current assets	5,349,613	56,176	5,405,789
Noncurrent assets:			
Cash and cash equivalents-restricted	5,935,123	89,535	6,024,658
Deposits held in trust	1,869,169	-	1,869,169
Total restricted assets	7,804,292	89,535	7,893,827
Capital Assets:			
Land	264,013	-	264,013
Buildings	235,326	-	235,326
Infrastructure	32,396,828	5,985,973	38,382,801
Machinery & equipment	994,713	146,202	1,140,915
Construction in progress	111,025	29,200	140,225
Less: accumulated depreciation	(6,908,621)	(285,647)	(7,194,268)
Total capital assets, net of accumulated depreciation	27,093,284	5,875,728	32,969,012
Total assets	40,247,189	6,021,439	46,268,628
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources-pension	178,547	15,474	194,021
Deferred outflows of resources-OPEB	1,060	234	1,294
Deferred loss on bond refunding	340,161	-	340,161
Total deferred outflow of resources	519,768	15,708	535,476
LIABILITIES			
Current liabilities:			
Accounts payable	494,686	4,179	498,865
Retainage payable	-	-	-
Accrued liabilities	14,288	-	14,288
Accrued expenses	16,794	2,014	18,808
Other liabilities	1,285,706	(24)	1,285,682
Payable from restricted assets:			
Accrued interest payable	39,015	-	39,015
Customer deposits	840,424	-	840,424
Compensated absences - current	2,358	-	2,358
Capital lease payable-current	92,291	-	92,291
Bonds payable - current	267,685	-	267,685
Total current liabilities	3,053,247	6,169	3,059,416
Noncurrent liabilities:			
Net pension and total OPEB liabilities	202,086	8,620	210,706
Compensated absences	96,012	2,477	98,489
Capital lease payable	274,157	106,529	380,686
Bonds payable	7,512,734	-	7,512,734
Total noncurrent liabilities	8,084,989	117,626	8,202,615
Total liabilities	11,138,236	123,795	11,262,031
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources-pension	1,189	126	1,315
NET POSITION			
Net invested in capital assets	18,839,888	5,769,199	24,609,087
Restricted for:			
Use of impact fees	5,379,398	-	5,379,398
Storm water	-	144,027	144,027
Unrestricted	5,408,246	-	5,408,246
Total Net Position	\$ 29,627,532	\$ 5,913,226	\$ 35,540,758

The notes to the financial statements are an integral part of this financial statement.

CITY OF PRINCETON, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Water and Sewer	Storm Water Drainage	Total
OPERATING REVENUES:			
Charges for services	\$ 9,526,893	\$ 408,288	\$ 9,935,181
Intergovernmental revenue	-	-	-
Miscellaneous	90,261	800	91,061
Total operating revenues	9,617,154	409,088	10,026,242
OPERATING EXPENSES:			
Personal services	1,372,826	140,839	1,513,665
Water purchases	1,558,014	-	1,558,014
Supplies and materials	304,484	10,505	314,989
Maintenance and repair	1,256,775	19,979	1,276,754
Lift Station	1,240,641	-	1,240,641
Utilities	128,968	-	128,968
Contractual services	1,281,593	51,214	1,332,807
Depreciation	1,013,179	187,193	1,200,372
Total operating expenses	8,156,480	409,730	8,566,210
Operating income (loss)	1,460,674	(642)	1,460,032
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	165,375	-	165,375
Impact fees	2,074,675	-	2,074,675
Interest expense	(299,554)	(3,297)	(302,851)
Administrative fee	(557,703)	-	(557,703)
Total nonoperating revenues (expenses)	1,382,793	(3,297)	1,379,496
Income (loss) before transfers and capital contributions	2,843,467	(3,939)	2,839,528
Capital Contributions	3,442,876	1,115,164	4,558,040
Transfers	(254,021)	-	(254,021)
Change in net position	6,032,322	1,111,225	7,143,547
Net Position, beginning	23,595,207	4,802,000	28,397,207
Net Position, ending	\$ 29,627,529	\$ 5,913,225	\$ 35,540,754

The notes to the financial statements are an integral part of this financial statement.

CITY OF PRINCETON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Water and Sewer	Storm Drainage	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 9,468,057	\$ 399,973	\$ 9,868,030
Other operating revenues (expenses)	(460,380)	800	(459,580)
Cash paid to employees	(1,347,527)	(138,306)	(1,485,833)
Cash paid to suppliers	(4,567,520)	(118,336)	(4,685,856)
Net cash provided (used) by operating activities	3,092,630	144,131	3,236,761
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Capital lease proceeds	-	-	-
Transfers from other funds	(254,021)	-	(254,021)
Net cash provided (used) by non-capital financing activities	(254,021)	-	(254,021)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	1,713,745	(29,200)	1,684,545
Proceeds from sale of assets	(15,838)	-	(15,838)
Principal paid on long-term debt/capital lease	(433,807)	(22,099)	(455,906)
Interest and fees paid on long-term debt	(281,651)	(3,297)	(284,948)
Net cash (used for) capital & related financing activities	982,449	(54,596)	927,853
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment earnings	165,375	-	165,375
Net cash provided by investing activities	165,375	-	165,375
Net increase (decrease) in cash and cash equivalents	3,986,433	89,535	4,075,968
Cash and cash equivalents at beginning of year	7,514,400	-	7,514,400
Cash and cash equivalents at end of year	\$ 11,500,833	\$ 89,535	\$ 11,590,368
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ 1,460,674	\$ (642)	\$ 1,460,032
Adjustment to reconcile operating income to net cash Provided by operating activities			
Depreciation	1,013,179	187,193	1,200,372
Administrative fee	(557,703)	-	(557,703)
Change in assets and liabilities:			
(Increase) decrease in assets:			
Accounts receivable	(159,242)	(8,314)	(167,556)
Inventory	42,188	-	42,188
Prepayments	7,062	-	7,062
Increase (decrease) in liabilities:			
Accounts payable	(61,844)	(10,542)	(72,386)
Retainage payable	(43,322)	-	(43,322)
Customer deposits	100,400	-	100,400
Pension/OPEB/Comp absence liabilities	26,120	2,258	28,378
Other liabilities	1,265,118	(25,822)	1,239,296
Total adjustments	1,631,956	144,773	1,776,729
Net cash provided (used) by operating activities	\$ 3,092,630	\$ 144,131	\$ 3,236,761
NON-CASH FINANCING ACTIVITIES:			
Contributions of capital assets from developers	\$ 3,442,876	\$ 1,115,164	\$ 4,558,040

The notes to the financial statements are an integral part of this financial statement.

CITY OF PRINCETON, TEXAS
STATEMENT OF AGENCY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	PID Agency Funds				
	Arcadia	Brookside	Crossroads	Whitewing 854	Total
ASSETS					
Cash and cash equivalents	\$ 3,108,682	\$ 3,305,639	\$ 4,113,960	\$ 11,562,289	\$ 22,090,570
Total assets	<u>\$ 3,108,682</u>	<u>\$ 3,305,639</u>	<u>\$ 4,113,960</u>	<u>\$ 11,562,289</u>	<u>\$ 22,090,570</u>
LIABILITIES					
Liability to bond holders	\$ 3,108,682	\$ 3,305,639	\$ 4,113,960	\$ 11,562,289	\$ 22,090,570
Total liabilities	<u>\$ 3,108,682</u>	<u>\$ 3,305,639</u>	<u>\$ 4,113,960</u>	<u>\$ 11,562,289</u>	<u>\$ 22,090,570</u>

The notes to the financial statements are an integral part of this financial statement.

CITY OF PRINCETON, TEXAS
STATEMENT OF CHANGES IN AGENCY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Arcadia Farms Development

	Balance 9/30/2018	Additions	Deductions	Balance 9/30/2019
ASSETS				
Cash and cash equivalents	\$ 241,340	\$ 3,298,422	\$ 431,080	\$ 3,108,682
Total assets	<u>\$ 241,340</u>	<u>\$ 3,298,422</u>	<u>\$ 431,080</u>	<u>\$ 3,108,682</u>
LIABILITIES				
Developer escrows	\$ 241,340	\$ 3,298,422	431,080	\$ 3,108,682
	<u>\$ 241,340</u>	<u>\$ 3,298,422</u>	<u>431,080</u>	<u>\$ 3,108,682</u>

Brookside Development

	Balance 9/30/2018	Additions	Deductions	Balance 9/30/2019
ASSETS				
Cash and cash equivalents	\$ -	\$ 3,378,216	\$ 72,577	\$ 3,305,639
Total assets	<u>\$ -</u>	<u>\$ 3,378,216</u>	<u>\$ 72,577</u>	<u>\$ 3,305,639</u>
LIABILITIES				
Developer escrows	\$ -	\$ 3,378,216	\$ 72,577	\$ 3,305,639
	<u>\$ -</u>	<u>\$ 3,378,216</u>	<u>\$ 72,577</u>	<u>\$ 3,305,639</u>

Princeton Crossroads Development

	Balance 9/30/2018	Additions	Deductions	Balance 9/30/2019
ASSETS				
Cash and cash equivalents	\$ 7,794,905	\$ 319,737	\$ 4,000,682	\$ 4,113,960
Total assets	<u>\$ 7,794,905</u>	<u>\$ 319,737</u>	<u>\$ 4,000,682</u>	<u>\$ 4,113,960</u>
LIABILITIES				
Developer escrows	\$ 7,794,905	\$ 319,737	\$ 4,000,682	\$ 4,113,960
	<u>\$ 7,794,905</u>	<u>\$ 319,737</u>	<u>\$ 4,000,682</u>	<u>\$ 4,113,960</u>

Whitewing 854 Development

	Balance 9/30/2018	Additions	Deductions	Balance 9/30/2019
ASSETS				
Cash and cash equivalents	\$ -	\$ 11,562,289	\$ -	\$ 11,562,289
Total assets	<u>\$ -</u>	<u>\$ 11,562,289</u>	<u>\$ -</u>	<u>\$ 11,562,289</u>
LIABILITIES				
Developer escrows	\$ -	\$ 11,562,289	\$ -	\$ 11,562,289
	<u>\$ -</u>	<u>\$ 11,562,289</u>	<u>\$ -</u>	<u>\$ 11,562,289</u>

The notes to the financial statements are an integral part of this financial statement.

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Princeton, Texas ("City") was incorporated in 1912 and has a Council/Manager form of government with a City Council comprised of Mayor and five council members. Some of the services provided are: public safety (police and fire protection), municipal court, streets, water distribution, sewer treatment, and general administrative services.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles ("GAAP") for local governments include those principles prescribed by the Governmental Accounting Standards Board ("GASB"), the American Institute of Certified Public Accountants in the publication entitled *State and Local Governments-Audit and Accounting Guide*. The more significant accounting policies of the City are described below:

1. Financial Statement Presentation

The basic financial statements are prepared in conformity with GAAP which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities, business-type, and activities of its discretely presented component units on the statement of net position and statement of activities. The City's statement of net position includes both noncurrent assets and noncurrent liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets, including infrastructure.

In addition to the government-wide financial statements, the City has prepared fund financial statements, which use the modified accrual basis of accounting and the current financial resources measurement focus for the governmental funds. The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Management's Discussion and Analysis includes an analytical overview of the City's financial activities. In addition, a budgetary comparison statement is presented that compares the original adopted and final amended General Fund and Debt Service Fund budget with actual results. The City does not have any Special Revenue funds with legally adopted budgets.

2. Reporting Entity

The City is a municipal corporation governed by an elected mayor and five-member council. As required by GAAP, these financial statements present the City (the primary government) and its component units, an entity for which the government is considered to be financially accountable. These discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the City. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- * the organization is legally separate (can sue and be sued in their own name);
- * the City appoints a voting majority of the organization's board;
- * the City is able to impose its will on the organization;
- * the organization has the potential to impose a financial benefit/burden on the City; or
- * there is fiscal dependency by the organization on the City.

Discretely Presented Component Units - The Economic Development Corporation ("EDC") was incorporated October 1, 2005. The EDC is governed by a seven-member board appointed by and serving at the pleasure of the City Council. The funding for the EDC occurs by the City transferring 1/4 of sales tax revenues collected by the City. The Corporation promotes development of commercial real estate, fosters local prosperity, and offers a competitive advantage for new, relocating, and expanding businesses.

The Community Development Corporation ("CDC") was incorporated July 3, 1997. The CDC is governed by a seven-member board appointed by and serving at the pleasure of the City Council. The funding for the CDC occurs by the City transferring 1/4 sales tax revenues collected by the City. These funds can be used for economic incentives and development and improvement in the quality of life for its citizens.

CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2. Reporting Entity (*continued*)

Blended Component Units - The City created Tax Increment Reinvestment Zone #1 (TIRZ) to provide additional financing resources to further enhance development within the zone. The City Council appoints a Board and Board members are removable by the City Council. TIRZ #1 was created December 2015 and will terminate in December 2045, or at an earlier time designated by subsequent ordinance, or at such time, subsequent to the issuance of tax increment bonds, if any, that all project costs, tax increment bonds, notes and obligations of the zone have been paid in full. The TIRZ is fiscally dependent on the City, as the City approves their budgets and any debt issuances. The TIRZ qualifies for blending because the Board is the same as the City Council. The TIRZ is reported as a blended component unit of the City and does not issue separate financial statements.

The City created Tax Increment Reinvestment Zone #2 (TIRZ) was created in August 2019 and will terminate in December 2050, or at which time the amount of the City's contribution of the Tax Increment into the Tax Increment Fund since the effective date of the Zone equals to a TIRZ par amount of \$298,290 plus interest and TIRZ administrative expenses, as set forth in the Project and Finance plan, or at such time that all projects, tax increment bonds, notes and other obligations of the Zone, and the interest thereon, have been paid in full. The TIRZ is fiscally dependent on the City, as the City approves budget and any debt issuance. The TIRZ qualifies for blending because the Board is the same as the City Council. The TIRZ is reported as a blended component unit of the City and there was no activity as of the end of the current fiscal year.

The fund information for the discretely presented component units can be found in the supplementary information in this report. There are no separate financial statements issued for the discretely presented component units.

In addition, GASB Statement No. 61 considers an organization that does not meet the financial accountability criteria to be included as a component unit if management's professional judgment determines it to be necessary and misleading if omitted. This evaluation includes consideration of whether a financial benefit or burden exists in the relationship between the entities. Management has not identified any additional organizations that fit this criteria.

3. Basis of Presentation, Basis of Accounting

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements; the focus is either the City as a whole or major individual funds (within the fund financial statements). The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Police, Fire, Public Works, etc.) or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include: a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, b) grants and contributions that are restricted to meeting the operational requirements of a particular function or program, and c) grants and contributions that are restricted to meeting the capital requirements of a particular function or program. Taxes and other items not properly excluded among program revenues are reported instead as general revenues.

The net cost (by function or business-type activity) is normally covered by general revenue (property and sales taxes, and interest income).

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported in separate columns in the fund financial statements. The major governmental funds are the General Fund, Debt Service Fund, and Capital Improvement Funds. The major proprietary funds are the Water and Sewer Fund and the Storm Drainage Fund. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and proprietary combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3. Basis of Presentation, Basis of Accounting (*continued*)

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal year. The focus of the fund financial statements is on the major individual funds of the governmental and proprietary categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the proprietary funds. The economic resources measurement focus means all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position and the operating statements present increase (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, in other words, as soon as they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the obligation has matured and is due and payable shortly after year end as required by GASB Interpretation No. 6.

Ad valorem, franchise and sales tax revenues recorded in the General Fund and ad valorem tax revenues recorded in the Debt Service Fund are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is not measureable. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. Intergovernmental grant revenues are recognized when all eligibility requirements have been met.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as needed.

Business-type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows, liabilities and deferred inflows associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in net total position. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water and sewer and storm water drainage are charges to customers for sales and services. Operating expenses for these funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The focus of governmental fund measurement (in the fund financial statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the major governmental funds:

The *General Fund* accounts for several primary services (e.g., police, fire, public works, library, parks and recreation) and is the primary operating unit of the City.

The Debt Service *Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3. Measurement Focus, Basis of Accounting (continued)

The *Capital Improvement Funds* account for the financing and improvements/construction of buildings and infrastructure including streets and sidewalks. Funds are provided primarily through bond sales and interest earnings and planned as part of the City's capital improvement plan.

The focus of proprietary funds measurement is upon determination of operating income, changes in net position, financial position, and cash flows, which is similar to businesses. The following is a description of the Proprietary Funds of the City:

The *Water and Sewer Fund* accounts for the operations of the City's water and sewer utilities. Activities of the fund include administration, operation and maintenance of the water and sewer system and billing and collection activities. All costs are financed through charges made to utility customers with rates reviewed annually.

The *Storm Water Drainage Fund* accounts for the City's storm water development and maintenance to the residents of the City.

Agency Funds - The City is the trustee, or fiduciary, for certain amounts held on behalf of developers. All of the City's fiduciary activities are reported in separate statements. The activities of these funds are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported are used for their intended purpose.

4. Financial Statement Amounts

a. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The City pools cash from all fund types (excluding certain restricted assets that are considered cash and cash equivalents) to increase the amount of funds available for investment. Investments held by the City that have a remaining maturity of greater than one year from purchase are carried at fair value. Interest earnings are allocated to the respective funds based upon each fund's relative balance in the pool. Each fund may liquidate its equity in the pool on demand.

Investments are recorded at amortized cost when original maturity at the time of purchase is less than one year or at market if greater than one year.

b. Receivable and Payable Balances

Trade and property tax receivables are shown net of an allowance for uncollectible.

Legally authorized transfers are treated as transfers and are included in the results of operations of both governmental and proprietary funds.

c. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature of normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of the other governments, or are imposed by law through constitutional provisions or enabling legislation. Certain proceeds of the proprietary fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Additionally, customer deposits received for water and wastewater services are classified as restricted assets.

CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. Financial Statement Amounts (*continued*)

d. Inventory

Inventory of supplies are maintained at the City. These inventories are valued at cost using the first in/first out (FIFO) inventory method. The cost of inventories is recorded as expenditures/expenses when consumed rather than when purchased.

e. Prepayments and Deposits

Certain payments to vendors reflect costs applicable to future accounting periods and are recognized as prepayments and deposits in both the government-wide and fund financial statements. The cost of these items is recorded as expenditures/expenses when consumed/provided rather than when paid.

f. Capital Assets

Capital assets, which include land, buildings, equipment, and improvements, purchased or acquired, are reported in the applicable governmental or business-like activities columns in the government-wide financial statements and proprietary fund types. The City defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if historical cost is not available. Contributed capital assets are recorded at acquisition value as of the time received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Management elected not to retroactively report infrastructure assets within the scope of GASB Statement No. 34.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Years</u>
Infrastructure	30-45
Buildings and Improvements	15-45
Machinery and equipment	5-10

g. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. The City has the following items that qualify for reporting in this category: (a) deferred charges on refunding resulting from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or refunding debt; (b) pension and OPEB contributions after measurement date that are deferred and recognized in the following fiscal year; (c) the difference in projected and actual earnings on pension assets that is deferred and amortized over a closed five-year period; and (d) the difference between expected and actual pension and OPEB experience that is deferred and amortized.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies in this category: the difference in expected and actual OPEB experience. This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period.

CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. Financial Statement Amounts (continued)

h. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and overtime not paid (comp time) benefits. A liability for unpaid accumulated compensated absences is recorded in relation to these amounts in the government-wide and proprietary financial statements.

i. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds on a straight-line basis. The City has compared this method to the effective interest method and found the difference between the two methods to be immaterial. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

j. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance as nonspendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the City is bound to honor constraints on how specific amounts can be spent.

Nonspendable fund balance - amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.

Restricted fund balance - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance - amounts that can only be used for specific purposes determined by a resolution of the City's highest level of decision-making authority (the Council) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

Assigned fund balance - amounts that are constrained by the City's intent to be used for specific purposes. The intent can be established at either the highest level of decision making (the Council), or by the City Manager. This is also the classification for residual funds in the City's special revenue funds.

Unassigned fund balance - the residual classification for the City's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The City Council establishes, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, followed by the committed, assigned and unassigned resources as they are needed.

A summary of the City's fund balance policy as adopted by the Council follows:

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. Financial Statement Amounts

j. Fund Equity (continued)

The City believes that adequate levels of fund balance are essential in mitigating financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures, and similar circumstances. In order to comply with GASB 54, the City's fund balances now focus on "the extent to which the government is bound to honor constraints on specific purposes for which amounts in the fund can be spent." The goal is to maintain a minimum unassigned fund balance in the General Fund equal to 90 days of total expenditures, with 8.34% or less being cause for concern. At the end of fiscal year 2019, the City is not in compliance with this minimum fund balance policy and steps have been taken in the FY2020 to increase fund balance.

k. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied

l. Fund Balance Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

m. Federal and State Grants

Grants and shared revenues are generally accounted for within the fund financed. Federal grants are from various federal agencies, and are accounted for in both the governmental and proprietary funds.

n. Pensions

In government-wide financial statements, retirement plans (pension) are required to be recognized and disclosed using the accrual basis of accounting regardless of the amount recognized as pension expenditures in the governmental fund statements which use the modified accrual basis of accounting.

In general, the City recognizes a net pension liability that represents the City's proportionate share of the excess of the total pension liability over the fiduciary net position of the pension reflected in the actuarial report provided by the Texas Municipal Retirement System ("TMRS"). The net pension liability is measured as of December 31, 2018. Changes in the net pension liability are recorded as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) will be amortized over the weighted average remaining service life of all participants and are recorded as a component of pension expense beginning with the period in which they are incurred.

For purposes of measuring the net pension liability, pension related deferred inflows/outflows of resources, and pension expense, City specific information about its Fiduciary Net Position in TMRS and additions to/deductions from the City's Fiduciary Net Position have been determined on the basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. Financial Statement Amounts

n. Pensions (continued)

Information regarding the City's Total Pension Liability and Total OPEB Liability is obtained from TMRS through reports prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions and GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.

Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows/outflows and will be amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed five-year period of recognition.

o. Property Taxes

Property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Assessed value represents the appraisal value less applicable exemptions authorized by the City Council. The Appraisal Board of Review establishes appraised values at 100% for estimated market value. A tax lien attaches to the property on January 1 of each year, to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on that property, whether or not the taxes are imposed in the year the lien attaches.

Taxes are due October 1 immediately following the levy date and are delinquent after the following January 31st. Revenues are recognized as the related ad valorem taxes are collected. Additional delinquent property taxes estimated to be collectible within 60 days following the close of the fiscal year have been recognized as a revenue at fund level.

In Texas, county-wide central appraisal districts are required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its market value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the appraisal district through various appeals, and, if necessary, take legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective tax rate, including tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year.

The statutes of the State of Texas do not prescribe a legal debt limit. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 population limits the ad valorem tax rate to \$2.50 per \$100 assessed valuation. For the fiscal year September 30, 2019, the City had a tax rate of \$0.68882 per \$100 assessed valuation based upon the maximum rates described above.

p. Comparative Data/Reclassification

Comparative total data for the current year to budget have been presented in the supplementary section of the financial statements in order to provide an understanding of budget to actual. Also, certain prior year balances have been reclassified in order to be consistent with the current year's presentation.

q. Interfund Activity

Interfund activity results from loans, services provided, and reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide Statement of Activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide Statement of Net Position.

CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. Financial Statement Amounts (*continued*)

r. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management's to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

s. Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

t. Program Expenses

Certain indirect costs such as administrative costs are included in the program expense reported for individual functional activities.

B. COMPLIANCE AND ACCOUNTABILITY

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None	n/a

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Violation</u>	<u>Action Taken</u>
None	n/a

3. Budgets and Budgetary Accounting

The City adopts budgets for the General Fund and Debt Service Fund annually for the primary government. All appropriations are legally controlled at the fund level. The City is required to present the adopted and final amended budget revenues and expenditures. The General Fund budget appears in the basic financial statement section and other informational budgets are presented in the supplemental information section.

The following procedures are followed in establishing the budgetary data:

- The Mayor submits to the City Council a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to September 30, the budget is legally enacted through passage of an ordinance.
- Total estimated expenditures of the General Fund and Debt Service Fund are to be budgeted.

CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

B. COMPLIANCE AND ACCOUNTABILITY

3. Budgets and Budgetary Accounting (*continued*)

- The level of control (the level at which expenditures may not exceed budget) is the fund level. The City Manager and/or Director of Finance are authorized to approve a transfer of budgeted amounts within departments; however, any revisions that alter the total of any fund must be approved by the City Council.

C. DEPOSITS AND INVESTMENTS

Pursuant to provisions of both the Texas Public Funds Investment Act (PFIA) and the Public Funds Investment Policy of the City, all deposits of the City that exceed the federal depository insurance coverage level are collateralized by securities held by a third party custodian and pledged to the City in an amount not less than 102% (on a market value basis) of the City's deposit of public funds and any accrued interest.

Cash Deposits

At September 30, 2019, the carrying amount of the City's demand deposits was \$6,814,755 and the bank balance was \$7,463,853. The City's cash deposits at September 30, 2019 and during the year ended September 30, 2019, were entirely covered by FDIC plus pledged collateral held by the City's agent bank in the City's name. Monthly collateral value reports are received from the bank as required by the City's investment policy.

Cash and cash equivalents as of September 30, 2019 consist of and are classified in the accompanying financial statements as follows:

Statement of Net Position:

Primary Government	
Cash and Cash Equivalents	\$ 8,315,391
Restricted cash and cash equivalents	17,184,042
Total cash and cash equivalents	<u>\$25,499,433</u>
Governmental - Restricted Cash	
Police seizure	\$ 4,807
Debt service	904,977
Capital improvement	10,249,600
Total cash and cash equivalents	<u>\$11,159,384</u>
Business-type- Restricted Cash	
Customer Deposits	\$ 561,520
Capital projects	5,463,138
Total cash and cash equivalents	<u>\$ 6,024,658</u>
Total Restricted Cash	<u>\$17,184,042</u>

Investments

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports an establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies. Portfolio disclosures as of September 30, 2019 are as follows:

- All pledged collateral was held by an independent institution outside the bank's holding company and
- the portfolio contained no repurchase agreements

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making an election to measure all of its investments at amortized cost. The City does not have any limitations or restrictions on withdrawal.

CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

C. DEPOSITS AND INVESTMENTS *(continued)*

Credit Risk

A primary stated objective of the City's adopted investment policy is the safety of principal and avoidance of principal loss. Credit risk within the City's portfolio among the authorized investments approved by the City's adopted investment policy includes only time and demand deposits, repurchase agreements, non-rated SEC register money market mutual funds, and commercial paper. All other investments are rated no lower than AAA or AAA-m, or equivalent, by at least one nationally recognized rating agency. Investments are made primarily in obligations of the U.S. Government, its agencies, or instrumentalities.

State law and the City's adopted investment policy restricts investment in SEC registered mutual funds to money market funds striving to maintain a \$1 net value and defined by state law. Neither the state law nor the policy requires a rating.

As of September 30, 2019, the City had the following investments:

<u>Investment Type</u>	<u>Amount</u>	<u>Average Maturity</u>	<u>Minimum Legal Rating</u>	<u>Rating at Year End</u>
TexPool	\$ 11,087,462	36	N/A	AAA-m
TexSTAR	7,068,551	38	N/A	AAA-m
	<u>\$ 18,156,013</u>			

TexSTAR is administered by First Southwest Asset Management Inc. and JP Morgan Chase. Together, these organizations bring to the TexSTAR program the powerful partnership of two leaders in financial services with a proven track record in local government investment pool management. TexSTAR is a local government investment cooperative created under the Interlocal Cooperation Act specifically tailored to meet Texas state and local government investment objectives of preservation of principal, daily liquidity, and competitive yield. The fund is rated AAAM by Standard & Poor's.

The Texas Local Investment Pool is a local government investment pool which operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. This type of investment pool uses amortized costs rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in these pools is the same as the value of the shares in each pool. The Texas Local Government Investment Pool is organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Pool is governed by an Advisory Board composed equally of participants in the pool and other persons who do not have a business relationship with the Pool who are qualified to advise the Pool.

The State Comptroller of Public Accounts exercises oversight responsibility over the Texas Local Government Investment Pool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAAM by Standard and Poor's. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard and Poor's, as well as the office of the Comptroller for public review.

Interest Rate Risk

In order to limit interest and market rate risk from changes in interest rates, the City's adopted investment policy sets a maximum stated maturity limit of three years. The dollar-weighted maturity allowed based on the stated maturity date for the portfolio is 270 days. Investment maturities for the debt service interest and sinking funds and/or other types of reserve funds, whose use is never anticipated, may not exceed three years.

Concentration of Credit Risk

The City recognizes over-concentration of assets by market sector or maturity is a risk to the portfolio. The City's adopted investment policy establishes diversification as a major objective of the investment program and set diversification limits for all authorized investment types which are monitored on at least a monthly basis.

CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

C. DEPOSITS AND INVESTMENTS

Credit Risk (continued)

Diversification limits are set by policy as:

	<u>% of portfolio</u>
US Treasury Obligation	100%
US Government Agency Securities & Instrumentalities of Government-sponsored corporations	80%
Authorized local government investment pools	100%
Full collateralized certificates of deposit	50%
SEC-regulated no-lead money market mutual funds	10%

As of September 30, 2019, holdings in two local government investment pools represented 71% of the total portfolio.

Custodial Credit Risk

To control custody and safekeeping risk, state law and the City's adopted investment policy requires collateral for all time and demand deposits, as well as collateral for repurchase agreements, be transferred delivery versus payment and held by an independent party approved by the City and held in the City's name. The custodian is required to provide original safekeeping receipts and monthly reporting of positions with position descriptions including market value. Repurchase agreements and deposits must be collateralized to 102% and be executed under written agreements. Depository agreements are executed under the terms of US Financial Institutions Resource and Recovery Enforcement Act (FIRREA). The counter-party of each type of transaction is held contractually liable for monitoring and maintaining the required collateral margin on a daily basis.

D. RECEIVABLES

Receivables as of year end for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>TIRZ</u>	<u>Capital Improvements</u>	<u>Debt Service</u>	<u>Water/Sewer</u>	<u>Storm Water Drainage</u>	<u>Total</u>
Receivables:							
Taxes	\$ 349,690	\$ 71,273	\$ -	\$ 55,233	\$ -	\$ -	\$ 476,196
Fees and Charges	1,502,245	-	-	-	1,743,789	56,176	3,302,210
Other	58,982	-	-	-	44,184	-	103,166
Gross Receivables	1,910,917	71,273	-	55,233	1,787,973	56,176	3,881,572
Less: allowances for uncollectible	(1,435,830)	-	-	(5,524)	(208,545)	-	(1,649,899)
Net Receivables	<u>\$ 475,087</u>	<u>\$ 71,273</u>	<u>\$ -</u>	<u>\$ 49,709</u>	<u>\$ 1,579,428</u>	<u>\$ 56,176</u>	<u>\$ 2,231,673</u>

The Proprietary Fund accounts receivable includes unbilled charges for services of \$469,080 rendered as of fiscal year end.

CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

E. NOTE RECEIVABLE

The Community Development Corporation agreed to pay a portion of the City's 2016 Certificates of Obligation by remitting to the City from the receipts of local sales and use taxes received by the Corporation.

The Community Development Corporation agreed to pay a portion of the City's 2019 Tax Note by remitting to the City from the receipts of local sales and use taxes received by the Corporation. The CDC's portion of the 2019 Tax Note is for the construction of the Community Center.

	Beginning Balance	Additions	Decreases	Ending Balance	Due Within One Year
Note receivable-CDC	\$ 401,722	\$ -	\$ (43,199)	\$ 358,523	\$ 42,333
Note receivable-CDC	-	1,245,000	-	1,245,000	190,423
	<u>\$ 401,722</u>	<u>\$ 1,245,000</u>	<u>\$ (43,199)</u>	<u>\$ 1,603,523</u>	<u>\$ 232,756</u>

Requirements as follows:

Year Ending Sept 30	Payment
2020	\$ 232,756
2021	229,940
2022	228,450
2023	230,210
2024	366,680
2025-2029	315,487
	<u>\$ 1,603,523</u>

The Economic Development Corporation agreed to pay a portion of the City's 2011 General Obligation Refunding Bonds to the City from the receipts of local sales and use taxes received by the Corporation.

	Beginning Balance	Additions	Decreases	Ending Balance	Due Within One Year
Note receivable-EDC	\$ 1,275,000	\$ -	\$ (75,000)	\$ 1,200,000	\$ 75,000

Requirements as follows:

Year Ending Sept 30	Payment
2020	\$ 75,000
2021	75,000
2022	75,000
2023	75,000
2024	75,000
2025-2029	375,000
2030-2034	375,000
2035	75,000
	<u>\$ 1,200,000</u>

CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

F. CAPITAL ASSETS

Capital asset activity for the period ended September 30, 2019 was as follows:

	Beginning Balances	Prior Period Adjustment	Additions/ Transfers	Decreases/ Transfers	Ending Balances
Governmental Activities					
Capital assets, not being depreciated					
Land	\$ 1,759,675	\$ -	\$ -	\$ -	\$ 1,759,675
Construction in Progress	1,673,531	-	4,029,967	(1,781,562)	3,921,936
Total capital assets, not being depreciated	3,433,206	-	4,029,967	(1,781,562)	5,681,611
Capital assets, being depreciated:					
Buildings & Improvements	4,395,639		5,890	-	4,401,529
Infrastructure	36,347,329		5,080,641	-	41,427,970
Parks & Improvements	2,380,342		985,399	-	3,365,741
Machinery & Vehicles	3,554,035	185,369	420,648	(42,042)	4,118,010
Total capital assets being depreciated	46,677,345	185,369	6,492,578	(42,042)	53,313,250
Less accumulated depreciation for:					
Buildings & Improvements	(821,538)	-	(130,589)	-	(952,127)
Infrastructure	(4,026,077)	-	(1,564,429)	-	(5,590,506)
Parks & Improvements	(448,246)	-	(181,437)	-	(629,683)
Machinery & Vehicles	(2,172,450)	(109,700)	(429,933)	42,042	(2,670,041)
Total accumulated depreciation	(7,468,311)	(109,700)	(2,306,388)	42,042	(9,842,357)
Total capital assets, being depreciated, net	39,209,034	75,669	4,186,190	-	43,470,893
Governmental activities capital assets, net	<u>\$ 42,642,240</u>	<u>\$ 75,669</u>	<u>\$ 8,216,157</u>	<u>\$ (1,781,562)</u>	<u>\$ 49,152,504</u>
Business-type Activities					
Capital assets, not being depreciated					
Land	\$ 264,013	\$ -	\$ -	\$ -	\$ 264,013
Construction in Progress	896,003	-	213,157	(968,935)	140,225
Total capital assets, not being depreciated	1,160,016	-	213,157	(968,935)	404,238
Capital assets, being depreciated:					
Buildings & Improvements	235,326	-	-	-	235,326
Infrastructure	32,685,178	-	5,697,624	-	38,382,802
Machinery & Vehicles	1,134,590	-	22,162	(15,838)	1,140,914
Total capital assets being depreciated	34,055,094	-	5,719,786	(15,838)	39,759,042
Less accumulated depreciation for:					
Buildings & Improvements	(106,158)	-	(5,586)	-	(111,744)
Infrastructure	(5,369,070)	-	(1,057,655)	-	(6,426,725)
Machinery & Vehicles	(534,506)	-	(137,131)	15,838	(655,799)
Total accumulated depreciation	(6,009,734)	-	(1,200,372)	15,838	(7,194,268)
Total capital assets, being depreciated, net	28,045,360	-	4,519,414	-	32,564,774
Business-type activities capital asset, net	<u>\$ 29,205,376</u>	<u>\$ -</u>	<u>\$ 4,732,571</u>	<u>\$ (968,935)</u>	<u>\$ 32,969,012</u>

CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

F. CAPITAL ASSETS (continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	\$ 22,973
Public Services	34,424
Public Safety	303,701
Public Works, including depreciation of general infrastructure assets	1,692,004
Parks and Cultural	253,286
Total depreciation expense - governmental activities	<u>\$ 2,306,388</u>
Business-type activities:	
Water and Sewer	\$ 1,013,179
Storm Water	187,193
Total depreciation expense - business-type activities	<u>\$ 1,200,372</u>

The City and management did not take note of any significantly impaired capital assets that are idle at the end of the current fiscal year.

G. CONSTRUCTION COMMITMENTS

The City has active construction projects as of September 30, 2019. The projects include building construction, street infrastructure and improvements, and water/sewer infrastructure improvements. At fiscal year-end, the City's commitments with contractors are as follows:

<u>Project Description</u>	<u>Project Budget Appropriation</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
City Hall	\$ 995,287	\$ 405,756	\$ 589,531
San Remo round-about	100,000	45,526	54,474
Myrick Lane	946,063	444,967	501,096
CR 1219	699,711	176,188	523,523
Fire Station #3	2,411,440	57,335	2,354,105
2nd Street Rehab	140,500	91,413	49,087
Cypress Bend @ Hwy 380	24,425	24,425	-
N 4th & Oak Streets	33,500	2,433	31,067
Monte Carlo Blvd	2,808,976	2,557,307	251,669
E Gantt & McClain Streets	97,000	1,540	95,460
Tickey Creek Drive	163,800	1,608	162,192
JJ Wilson Memorial Park	71,500	65,320	6,180
Veteran's Memorial Park	122,000	37,443	84,557
Total Governmental	<u>8,614,202</u>	<u>3,911,261</u>	<u>4,702,941</u>
College St water line	273,426	21,331	252,095
12" water line @ Hwy 380	80,425	10,500	69,925
Dogwood pump stn improv	55,000	9,250	45,750
Myrick Lane sewer line	70,625	69,945	680
Drainage improv-Park Trails	29,200	29,200	-
Total Business-type	<u>508,676</u>	<u>140,226</u>	<u>368,450</u>
TOTAL	<u>\$ 9,122,878</u>	<u>\$ 4,051,487</u>	<u>\$ 5,071,391</u>

CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

H. LONG-TERM OBLIGATIONS

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2019, is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Governmental Activities					
General obligations bonds &					
Certificates of Obligation	\$ 16,890,600	\$ -	\$ (1,846,600)	\$ 15,044,000	\$ 551,600
Plus: for bond premiums	326,884	-	(18,778)	308,106	(18,778)
Less: for bond discounts	(139,682)	-	9,666	(130,016)	9,666
Tax note	-	7,790,000	-	7,790,000	1,770,000
Total Bonds Payable	17,077,802	7,790,000	(1,855,712)	23,012,090	2,312,488
Capital lease payable	1,626,832	216,890	(331,835)	1,511,887	312,283
Compensated absences	301,063	325,806	(197,003)	429,866	23,244
Net pension and total OPEB liabilities	174,262	488,371	-	662,633	-
Governmental activity Long-term Debt	<u>\$ 19,179,959</u>	<u>\$ 8,821,067</u>	<u>\$ (2,384,550)</u>	<u>\$ 25,616,476</u>	<u>\$ 2,648,015</u>
	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Business-type Activities					
General obligations bonds &					
Certificates of Obligation	\$ 7,714,400	\$ -	\$ (313,400)	\$ 7,401,000	\$ 286,475
Plus: for bond premiums	420,470	-	(21,265)	399,205	(21,264)
Less: for bond discounts	(22,260)	-	2,474	(19,786)	2,474
Total Bonds Payable	8,112,610	-	(332,191)	7,780,419	267,685
Capital lease payable	596,692	-	(123,715)	472,977	92,291
Compensated absences	84,438	40,906	(26,855)	98,489	2,358
Net pension and total OPEB liabilities	68,242	142,464	-	210,706	-
Business-type activity Long-term Debt	<u>\$ 8,861,982</u>	<u>\$ 183,370</u>	<u>\$ (482,761)</u>	<u>\$ 8,562,591</u>	<u>\$ 362,334</u>

The City does not have any unused lines of credit.

Compensated absences

Compensated absences represent the estimated liability for employees' accrued vacation leave and comp time for which employees are entitled to be paid upon termination. The retirement of this liability is typically paid from the General Fund or Proprietary Fund, based on the assignment of an employee at date of termination.

CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

H. LONG-TERM OBLIGATIONS (continued)

Changes in Governmental Long-term Debt

Description	Interest Rate Payable	Amounts Issue	Amounts Outstanding September 30, 2018	Issued	Retired	Amounts Outstanding September 30, 2019	Due Within One Year
2009 Series, CO	4.13%	\$ 4,315,000	\$ 3,825,000	\$ -	\$ (1,415,000)	\$ 2,410,000	\$ 115,000
2011 Series, GO	2.00%	1,439,500	695,600	-	(66,600)	629,000	66,600
2019 Tax Note	2.20%	7,790,000	-	7,790,000	-	7,790,000	1,770,000
2014 Series, CO	2.50%	1,285,000	1,150,000	-	(55,000)	1,095,000	55,000
2015 Series, CO	2.50%	3,245,000	2,955,000	-	(130,000)	2,825,000	135,000
2016 Series, CO	2.00%	8,465,000	8,265,000	-	(180,000)	8,085,000	180,000
Total Bonds Payable		<u>26,539,500</u>	<u>16,890,600</u>	<u>7,790,000</u>	<u>(1,846,600)</u>	<u>22,834,000</u>	<u>2,321,600</u>
Capital lease - BB&T		1,489,406	1,489,406	-	(200,607)	1,288,799	204,475
Capital lease - Dodge Durango		34,550	-	34,550	(5,390)	29,160	11,158
Capital lease - Ford		29,809	12,507	-	(6,114)	6,393	6,393
Capital lease - EM/Unit		50,001	11,902	-	(11,902)	-	-
Capital lease - Ford		100,001	34,895	-	(34,895)	-	-
Capital lease - 2-2018 Police		128,033	-	128,033	(30,267)	97,766	42,104
Capital lease - 2019 F150		25,465	-	25,465	(680)	24,785	5,348
Capital lease - 2018 F150		28,842	-	28,842	(9,971)	18,871	9,120
Capital lease - F150 & Explorer		51,167	25,735	-	(12,509)	13,226	13,226
Capital lease - F150		32,650	16,516	-	(8,008)	8,508	8,508
Capital lease - F350 & Gator		59,647	35,871	-	(11,492)	24,379	11,951
Totals		<u>\$ 28,569,071</u>	<u>\$ 18,517,432</u>	<u>\$ 8,006,890</u>	<u>\$ (2,178,435)</u>	<u>\$ 24,345,887</u>	<u>\$ 2,633,883</u>

Debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2020	\$ 2,321,600	\$ 181,902	\$ 2,503,502
2021	1,714,200	561,519	2,275,719
2022	1,750,500	524,531	2,275,031
2023	1,804,200	486,352	2,290,552
2024	3,055,500	433,967	3,489,467
2025-2029	6,443,000	1,519,356	7,962,356
2030-2034	4,295,000	710,658	5,005,658
2035-2039	1,450,000	114,034	1,564,034
Totals	<u>\$ 22,834,000</u>	<u>\$ 4,532,319</u>	<u>\$27,366,319</u>

\$1,439,500 of Series 2011 General Obligation Refunding Bonds issued May 23, 2011 for the purpose of refinancing the Series 2008 General Obligation Bonds and the Series 2010 Tax and Revenue Certificates of Obligation. These bonds are secured by the levy and collection of ad valorem taxes. The City has purchased a bond insurance policy in the event of default of payment of principal and interest or any acceleration of the due date of such principal by reason of mandatory or optional redemption.

\$4,315,000 of Series 2009 Combination Tax and Surplus Revenue Certificates of Obligation were issued August 25, 2009 for the purpose of construction and improvements of streets. These bonds are secured by the levy and collection of ad valorem taxes. The City has purchased a bond insurance policy in the event of default of payment for principal and interest or any acceleration of the due date of such principal by reason of mandatory or optional redemption.

\$1,285,000 of Series 2014 Combination Tax and Surplus Revenue Certificates of Obligation were issued October 23, 2014 to finance water and sewer system improvements and street improvements. These bonds are secured by the levy and collection of ad valorem taxes. The City has purchased a bond insurance policy in the event of default of payment of principal and interest or any acceleration of the due date of such principal by reason of mandatory or optional redemption.

CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

H. LONG-TERM OBLIGATIONS

Changes in Governmental Long-term Debt (continued)

\$3,245,000 of Series 2015 Combination Tax and Surplus Revenue Certificates of Obligation were issued October 23, 2015 to pay the City's contractual obligations to be incurred in connection with the design, construction, engineering, and equipping of improvements to infrastructure and buildings. These bonds are secured by the levy and collection of ad valorem taxes. The City has purchased a bond insurance policy in the event of default of payment of principal and interest or any acceleration of the due date of such principal by reason of mandatory or optional redemption.

\$8,465,000 of Series 2016 Combination Tax and Surplus Revenue Certificates of Obligation were issued October 24, 2016 for the design, construction, engineering, and equipping of (1) constructing and improving new and existing streets and roads, sidewalks and related signage and lighting; expansion of Public Works facility; design costs for new City Hall; park improvements including trail improvements; and (2) paying costs and fees associated with projects and issuance of bonds. These bonds are secured by the levy and collection of ad valorem taxes. The City has purchased a bond insurance policy in the event of default of payment for principal and interest or any acceleration of due date of such principal by reason of mandatory or optional redemption.

\$7,790,000 of 2019 Tax Note was issued June 12, 2019 to finance multiple street rehab projects; construction, design, land purchase, and equipping of Fire Station #3; and construction and improvement to Community Center. The Tax Note is secured with the levy and collection of ad valorem taxes by the City.

Changes in Business-type Long-term Debt

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding September 30, 2018	Issued	Retired	Amounts Outstanding September 30, 2019	Due Within One Year
2007 Series, GO	4.00%	\$ 1,275,000	\$ 745,000	\$ -	\$ (60,000)	\$ 685,000	23,075
2007 Series, CO	4.00%	8,250,000	760,000	-	(200,000)	560,000	210,000
2011 Series, GO	2.00%	490,500	244,400	-	(23,400)	221,000	23,400
2015 Series, GO	3.00%	6,100,000	5,965,000	-	(30,000)	5,935,000	30,000
Total Bonds Payable		16,115,500	7,714,400	-	(313,400)	7,401,000	286,475
Capital lease - BB&T		505,813	505,813	-	(66,158)	439,655	68,158
Capital lease - Caterpillar		103,842	21,274	-	(21,274)	-	-
Capital lease - Ford		29,809	12,507	-	(6,111)	6,396	6,393
Capital lease - F350		41,988	17,310	-	(8,403)	8,907	8,907
Capital lease - Camera		51,457	13,275	-	(13,275)	-	-
Capital lease - F350		44,087	26,513	-	(8,494)	18,019	8,833
Totals		\$ 16,892,496	\$ 8,311,092	\$ -	\$ (437,115)	\$ 7,873,977	\$ 378,766

Debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2020	\$ 286,475	\$ 289,461	\$ 575,936
2021	370,650	265,367	636,017
2022	379,350	249,571	628,921
2023	390,650	235,453	626,103
2024	401,125	222,146	623,271
2025-2029	1,947,750	883,302	2,831,052
2030-2034	1,860,000	526,819	2,386,819
2035-2038	1,765,000	144,381	1,909,381
Totals	\$ 7,401,000	\$ 2,816,500	\$10,217,500

**CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

H. LONG-TERM OBLIGATIONS

Changes in Business-type Long-term Debt (continued)

\$1,275,000 Series 2007 General Obligation Refunding Bonds were issued December 11, 2007 for the purpose of refinancing the \$1,275,000 Series 2003. The bonds are secured by the pledge of surplus net revenue of the City's waterworks and sewer system remaining after payment of all operation and maintenance expenses thereof. The City purchased a bond insurance policy in the event of payment for principal and interest or any acceleration of due date of such principal by reason of mandatory or optional redemption.

\$8,250,000 Series 2007, Combination Tax and Surplus Revenue Certificates of Obligation were issued December 11, 2007 for the purpose of acquiring, constructing, and installing additions and improvements to the waterworks and sanitary sewer system. The bonds are secured by the pledge of surplus net revenue of the City's waterworks and sewer system remaining after payment of all operation and maintenance expenses thereof. The City purchased a bond insurance policy in the event of payment for principal and interest or any acceleration of due date of such principal by reason of mandatory or option redemption.

\$490,500 Series 2011, General Obligation Refunding Bonds were issued May 23, 2011 for the purpose of refinancing the Series 2008 General Obligation Refunding Bonds. The bonds are secured by the pledge of surplus net revenue of the City's waterworks and sewer system. The City purchased a bond insurance policy in the event of payment for principal and interest or any acceleration of due date of such principal by reason of mandatory or option redemption.

\$6,100,000 Series 2015, General Obligation Refunding Bonds were issued October 28, 2015. These proceeds were used to advance refund \$5,930,000 of outstanding Series 2007 General Obligation Refunding Bonds which had an interest rate of 4.00%. The net proceeds of \$6,227,204 (including a \$378,255 premium and after payment of \$134,925 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, \$5,930,000 of Series 2007 debt is considered defeased and that amount of the liability for those bonds has been removed from the statement of net position. The Series 2007 bonds still have \$950,000 of non-refunded debt recorded on the statement of net position at September 30, 2019. The reacquisition price exceeded the net carrying amount of the old debt by \$127,204. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. The City advance refunded Series 2007 General Obligation Refunding Bonds to reduce its total debt service payments over 22 years by \$1,270,735 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$893,533. These bonds are secured by the pledge of net revenue from the City's waterworks and sewer system. The City purchased a bond insurance policy in the event of payment for principal and interest or any acceleration of due date of such principal by reason of mandatory or option redemption.

The City intends to retire all its general long-term liabilities, plus accrued interest, from ad valorem taxes and other current revenues. The proprietary fund type long-term debt, plus accrued interest, will be repaid from operating revenues of the Water and Sewer Fund.

I. COMMITMENTS AND CONTINGENCIES

CONTRACTUAL OBLIGATIONS WITH GREATER TEXOMA UTILITY AUTHORITY

Under the terms of long-term water supply and sewer service contracts between the City and Greater Texoma Utility Authority (GTUA), the City recognizes that GTUA has an undivided ownership interest in the City's water system and sewer collection and treatment facility equivalent to the percentage of the total cost of the facility provided by GTUA through the issuance of GTUA certificates of obligation.

The City has contractual obligation to make payments specified by the contract to GTUA to pay the principal and interest on the bonds, maintain a Reserve Fund for the security and payment of bonds similarly secured, pay the administrative and overhead expenses of GTUA directly attributable to the certificates of obligation, and pay any extraordinary expenses incurred by GTUA in connection with the debt. Under terms of the contracts, the City's obligation to make payments to GTUA, as well as GTUA's ownership interest in the facilities, terminates when all of GTUA's bonds issued in connection with construction of the facilities have been paid in full, are retired, and are no longer outstanding.

The City's obligation to GTUA for the current fiscal year was \$1,001,968. This is recorded as maintenance and operating expense in the Water and Sewer Fund.

CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

I. CONTRACTUAL OBLIGATIONS *(continued)*

Minimum contractual commitments to be paid to GTUA by the City are as follows:

Year Ending September 30:	Requirement
2020	\$ 848,169
2021	853,007
2022	851,138
2023	848,626
2024	850,444
2025-2029	4,243,921
2030-2034	4,524,577
2035-2039	4,519,527
2040-2044	4,521,854
2045-2048	3,616,212
TOTAL	<u>\$ 25,677,475</u>

J. CAPITAL LEASES

The City has acquired certain capital assets for governmental and business-type activities through the use of lease purchase agreements. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The terms of the leases range from 3 - 7 years and call for monthly, quarterly, and annual payments over the life of the leases. The future minimum lease payments under the capitalized leases and the net present value of the future minimum lease payments at September 30, 2019, are as follows:

	Governmental Activities	Business-type Activities	Total
Assets			
Machinery and Equipment	\$ 2,029,571	\$ 776,996	\$ 2,806,567
Less: accumulated amortization	(517,684)	(304,019)	(821,703)
Total	<u>\$ 1,511,887</u>	<u>\$ 472,977</u>	<u>\$ 1,984,864</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2019 were as follows:

	Governmental Activities	Business-type Activities
Year Ending September 30:		
2020	\$ 323,489	\$ 102,779
2021	309,505	87,217
2022	261,890	85,743
2023	264,900	77,665
2024	232,995	77,665
2025	232,995	77,665
Total minimum payments	1,625,774	508,734
Less: interest	(113,887)	(35,757)
Present value of minimum lease payments	<u>\$ 1,511,887</u>	<u>\$ 472,977</u>

CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

K. OPERATING LEASES

The City leases the building that houses City Hall, utility billing, and management offices and a building for Parks and Recreation, Development/Code and Community Relation offices. The total cost for these leases for the current fiscal year was \$172,712. The other operating leases that the City is under obligation for relate to office equipment, web services, and internet services. The future minimum lease payments for these leases are as follows:

<u>FYE Sept 30</u>	<u>Building</u>	<u>Office Eqpt & Services</u>
2020	\$ 172,104	\$ 8,608
2021	172,104	8,608
2022	172,104	7,883
2023	172,104	1,793
2024	-	-
	<u>\$ 688,416</u>	<u>\$ 26,892</u>

L. PENSION PLAN

1. Plan Description

The City participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System ("TMRS"). TMRS, an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code ("TMRS Act") as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS' defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report ("CAFR") that can be obtained at www.tmrs.org.

All eligible employees of the City are required to participate in TMRS.

2. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the City Council, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their treatment benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his or her salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

When these liabilities are liquidated for governmental activities, the General Fund will be primarily responsible.

CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

L. PENSION PLAN

2. Benefits Provided (continued)

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	Plan Year	
	2018	2019
Employee deposit rate	7.00%	7.00%
Matching Ratio (City to Employee):	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating
Supplemental Death Benefit to Active Employees	Yes	Yes
Supplemental Death Benefit to Retirees	Yes	Yes

The City also participates in Social Security.

Amortization Bases and Payments

Year Established	Description	Years Remaining	Base	Payment
2013	2013 Valuation (Fresh Start)	25	\$ 428,497	\$ 26,311
2014	2014 Experience	25	(105,711)	(6,491)
2015	2015 Experience	25	(86,299)	(5,299)
2015	2015 Actuarial Changes	27	9,078	532
2016	2016 Experience	23	109,743	7,103
2017	2017 Experience	24	50,548	3,184
2018	2018 Experience	25	88,912	5,459
			<u>\$ 494,768</u>	<u>\$ 30,799</u>

Employees covered by benefit terms:

At December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

	Plan Year	
	2017	2018
Number of:		
Inactive employees or beneficiaries currently receiving benefits	17	18
Inactive employees entitled to but not yet receiving benefits	25	26
Active employees	71	83
Total	<u>113</u>	<u>127</u>

3. Contributions

The contribution rates for the employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City's matching percentages are either 100%, 150%, or 200%, both as adopted by the City Council. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal ("EAN") actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 10.80% and 10.91% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2019 were \$527,057 and were equal to the required contributions.

CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

L. PENSION PLAN *(continued)*

4. Net Pension Liability

The City's Net Pension Liability ("NPL") was measured as of December 31, 2018, and the Total Pension Liability ("TPL") used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The TPL in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Overall payroll growth	3.0% per year
Investment rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables WITH Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year-set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed by each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative assets allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.90%
Real Return	10.0%	3.80%
Real Estate	10.0%	4.50%
Absolute Return	10.0%	3.75%
Private Equity	5.0%	7.50%
	<u>100.0%</u>	

CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

L. PENSION PLAN *(continued)*

Discount Rate

The discount rate used to measure the TPL was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2017	\$ 6,004,918	\$ 5,846,290	\$ 158,628
Service cost	729,872	-	729,872
Interest (on the total pension liability)	422,272	-	422,272
Difference between expected and actual experience	-	-	-
Changes of assumptions	74,525	-	74,525
Benefit payments, including refunds of employee contributions	(227,937)	(227,937)	-
Contributions - employer	-	462,168	(462,168)
Contributions - employee	-	299,830	(299,830)
Net investment income	-	(174,886)	174,886
Administrative expense	-	(3,385)	3,385
Other	-	(177)	177
Net changes	998,732	355,613	643,119
Balance at December 31, 2018	<u>\$ 7,003,650</u>	<u>\$ 6,201,903</u>	<u>\$ 801,747</u>

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
<u>\$ 2,040,714</u>	<u>\$ 801,747</u>	<u>\$ (182,813)</u>

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmr.com.

5. Pension Expense and deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2019, the City recognized pension expense of \$585,773.

At September 30, 2019, the City reported deferred outflow of resources and deferred inflow of resources related to pension from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual economic experience	\$ 102,967	\$ -
Changes in actuarial assumptions	766	-
Difference between projected and actual investment earnings	307,174	-
Contributions subsequent to the measurement date	410,801	-
	<u>\$ 821,708</u>	<u>\$ -</u>

CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

L. PENSION PLAN

5. Pension Expense and deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

\$410,801 reported as deferred outflow of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the current fiscal year. Other amounts reported as deferred outflow and inflow of resources related to pension will be recognized in pension expense as follows:

Net deferred outflows (inflows) of resources:

December 31

2019	\$ 128,760
2020	76,778
2021	67,097
2022	128,552
2023	9,720
Thereafter	-
Total	<u>\$ 410,907</u>

M. OTHER POSTEMPLOYMENT BENEFITS

1. Plan Description

The City participates in a defined benefit group-term life insurance plan that is administered by TMRS known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (OPEB) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

The member city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire career.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

When these liabilities are liquidated for governmental activities, the General Fund will be primarily responsible.

2. Benefits Provided

Employees covered by benefit terms:

At December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Membership *	Plan Year	
	2017	2018
Number of:		
Inactive employees currently receiving benefits	12	12
Inactive employees entitled to but not yet receiving benefits	3	4
Active employees	71	83
Total	<u>86</u>	<u>99</u>

* Membership counts for inactive employees currently receiving or entitled to but not yet receiving benefits will differ from GASB68 as they include only those eligible for a SDBF benefit (i.e. excludes beneficiaries, non-vested terminations due a refund, etc.).

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
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M. OTHER POSTEMPLOYMENT BENEFITS (continued)

Changes in the Total OPEB Liability

Total OPEB Liability - beginning of year	\$ 85,531
Changes for the year	
Service cost	10,280
Interest on total OPEB liability	2,987
Changes in benefit terms	-
Differences between expected and actual experience	(6,732)
Changes in assumptions or other inputs	(6,592)
Benefit payments **	(857)
Net changes	(914)
Total OPEB Liability - end of year	<u>\$ 84,617</u>

** Due to the SDBF being considered an unfunded OPEB plan under GASB75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Note: The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate:

	1% Decrease	Current	1% Increase
	2.71%	Discount Rate	4.71%
		3.71%	
Total OPEB Liability	<u>\$ 102,893</u>	<u>\$ 84,617</u>	<u>\$ 70,826</u>

OPEB Expense:

Service cost	10,280
Interest on total OPEB liability	2,987
Changes in benefit terms	-
Employer administrative costs	-
Recognition of deferred outflows/inflows of resources:	
Differences between expected and actual experience ¹	(892)
Changes in assumptions or other inputs ²	90
Total OPEB Liability - end of year	<u>\$ 12,465</u>

Schedule of Outflows and Inflows - Current and future expense

	Deferred (Inflow) of Resources	Deferred Outflow of Resources
Differences between expected and actual experience	\$ -	\$ (5,840)
Changes in assumptions and other inputs	-	(374)
Contributions subsequent to the measurement date	4,202	-
Total (excluding contributions made subsequent to measurement date)	<u>\$ 4,202</u>	<u>\$ (6,214)</u>

\$4,202 reported as deferred outflow of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the current fiscal year. Other amounts reported as deferred outflow and inflow of resources related to pension will be recognized in pension expense as follows:

CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

M. OTHER POSTEMPLOYMENT BENEFITS (continued)

*Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future OPEB expense
(excluding city-provided contributions made subsequent to the measurement date):*

Net deferred outflows (inflows) of resources:

December 31

2019	\$	(802)
2020	\$	(802)
2021	\$	(802)
2022	\$	(802)
2023	\$	(802)
Thereafter		(2,204)
Total	\$	<u>(6,214)</u>

Schedule of Contributions - (Retiree-only portion of the rate, for OPEB):

Plan Year	Total SDBF Contribution	Retiree Portion of SDB Contribution
2017	\$ 5,737	\$ 820
2018	\$ 5,879	\$ 980
2019	\$ 5,041	\$ 917

N. VOLUNTEER FIREFIGHTERS RETIREMENT

The City participates in the Texas Emergency Services Retirement System (TESRS). This is a pension system for volunteer firefighters and first responders. Members are half-vested at 10 years of qualified service, and are eligible to receive a lifetime annuity at the age of 55. Members are fully-vested at 15 years of qualified service, and are eligible to receive a lifetime annuity at the age of 55. The City currently has 25 volunteer firefighters participating. During the fiscal year, \$13,104 was paid to TESRS.

O. HEALTH CARE COVERAGE

During the year ended September 30, 2019, employees of the City were covered by a health, dental, and vision insurance plans. The City contributed \$675 per month per employee for employee coverage and \$0 for dependent's health insurance. The City contributed \$3.42 per month per employee (100% of the cost per employee) for dental insurance and \$9 per month per employee for vision. Employees, at their option, authorized payroll withholdings for dependent coverage. Health and dental insurance is provided by TML MultiState Intergovernmental Employee Benefit Pool and vision insurance is with Avesis.

P. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City had general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years. The City has renewed all coverage and policies for fiscal year 2018-2019.

CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Q. LITIGATION

The City is subject to certain legal proceedings in the normal course of operations. In the opinion of management, the aggregate liability, if any, with respect to potential legal actions will not materially adversely affect the City's financial position, results of operations, or cash flows.

R. ADDITIONAL WATER AND SEWER INFORMATION

The City secures its water supply from the North Texas Municipal Water District ("NTMWD"), a district authorized by the Texas Constitution, Article XVI, Section 59; created by the Texas Legislature, Article 8280-141; and authorized to act by the confirming vote of the majority of the qualified voters in each of the cities comprising the District. The District has police, taxation and eminent domain powers and is authorized to issue revenue and/or tax bonds upon approval by the Attorney General of the State of Texas and functions as a political subdivision of the State of Texas independent of the City. The District is governed by a 17-member board ("Board"), the City being authorized by statute to appoint two of those members. The board has full power and discretion to establish its budget and to set the rates for the services it provides by contracts with its member cities and customers. The Board is empowered by statute and contract, or otherwise permitted by law, to discontinue a facility or service in order to prevent an abuse or to enforce payment of an unpaid charge, fee, or rental due to the District. Because of the factors mentioned above, the District is not included in the City's basic financial statements.

The City entered into a contract with the District whereby the District agreed to provide water for the benefit of the City. In return, the City agreed to pay the District at a rate of \$2.92 per 1,000 gallon basis, subject to minimum annual payments. The City's cost for the current fiscal year was \$1,370,444.

The following information is included at the request of the Texas Water Development Board for the year under audit.
Water Accountability Report:

Gallons Pumped	573,050,000
Gallons Billed	431,144,400

S. TRANSFERS

Transfers between funds were due to debt service support and allocation of development contribution are as follows:

	Transfers Out	Transfers In
Major Funds		
General Debt Service Fund	\$ 33,491	-
Capital Improvements Funds	220,530	
Water and Sewer Fund	-	(254,021)
	<u>\$ 254,021</u>	<u>\$ (254,021)</u>

T. PUBLIC IMPROVEMENT DISTRICTS

In April 2018, the City approved the creation of the Arcadia Farms Public Improvement District for the benefit of property in the PID. The City Council approved the issuance and sale of special assessment revenue bonds, Series 2018, in the amount of \$3,190,000 to fund certain roadway, water distribution system, storm drainage, sanitary sewer, and other PID bond issuance costs. These bonds are secured solely from assessment revenues generated by the Arcadia Farms PID. The City is not obligated in any manner for this special assessment debt, but merely acts as the developer's agent in handling the debt service transactions by collecting any special assessment collections and forwarding to the Trustee for payment to the bond holders. The developer's obligation at the end of the fiscal year is \$3,090,000 and \$3,190,000.

In September 2018, the City approved the creation of the Princeton Crossroads Public Improvement District for the benefit of property in the PID. The City Council approved the issuance and sale of special assessment revenue bonds, Series 2018, in the amount of \$9,485,000 to fund certain roadway, water distribution system, storm drainage, sanitary sewer, and other PID bond

CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

T. PUBLIC IMPROVEMENT DISTRICTS *(continued)*

issuance costs. These bonds are secured solely from assessment revenues generated by the Princeton Crossroads PID. The City is not obligated in any manner for this special assessment debt, but merely acts as the developer's agent in handling the debt transactions by collecting any special assessment collections and forwarding to the Trustee for payment to the bond holders. The developer's obligation at the end of the fiscal year is \$9,485,000.

In January 2019, the City approved the creation of the Winchester Public Improvement District for the benefit of property in the PID. The City Council approved the issuance and sale of special assessment revenue bonds up to a maximum aggregate principle amount of \$9,225,000. However, as of the fiscal year end, these bonds had not been issued. At the time these bonds are issued, the City is not obligated in any manner for this special assessment debt, but merely acts as the developer's agent in handling the debt transactions by collecting any special assessment collections and forwarding to the Trustee for payment to the bond holders.

In June 2019, the City approved the creation of the Whitewing 854 Public Improvement District for the benefit of property in the PID. The City Council approved the issuance and sale of special assessment revenue bonds, Series 2019, in the aggregate amount of \$16,060,000 to fund certain roadway, water distribution system, storm drainage, sanitary sewer, and other PID bond issuance costs. These bonds are secured solely from assessment revenues generated by the Princeton Crossroads PID. The City is not obligated in any manner for this special assessment debt, but merely acts as the developer's agent in handling the debt transactions by collecting any special assessment collections and forwarding to the Trustee for payment to the bond holders. The developer's obligation at the end of the fiscal year is \$8,210,000 and \$7,850,000.

In September 2019, the City approved the creation of the Brookside Public Improvement District for the benefit of property in the PID. The City Council approved the issuance and sale of special assessment revenue bonds, Series 2019, in the amount of \$3,685,000 to fund certain roadway, water distribution system, storm drainage, sanitary sewer, and other PID bond issuance costs. These bonds are secured solely from assessment revenues generated by the Brookside PID. The City is not obligated in any manner for this special assessment debt, but merely acts as the developer's agent in handling the debt transactions by collecting any special assessment collections and forwarding to the Trustee for payment to the bond holders. The developer's obligation at the end of the fiscal year is \$3,685,000.

U. PRIOR PERIOD ADJUSTMENT

There are two entries to adjust prior year's fund balance in the government-wide statement of activities. These are explained as follows:

Write off prior year's accounts receivable for sidewalk grant	\$ (19,834)	Capital Improvement Fund
Record prior years purchases and donations of books to Library-net	75,669	General Fund
	<u>\$ 55,835</u>	

There are two entries to adjust prior year's fund balance in the governmental funds statement of revenues, expenditures and changes in fund balances. These are explained as follows:

Record deferred revenues for existing EDC note receivable	\$ 1,275,000	Debt Service Fund
Record deferred revenues for existing CDC note receivable	401,722	Debt Service Fund
	<u>\$ 1,676,722</u>	

V. SUBSEQUENT EVENTS

Management has evaluated all events and transactions that occurred after September 30, 2019 up through March 23, 2020, the date of the financial statements were available to be issued. During this time, management is not aware of any events requiring financial statement disclosure other than those mentioned within the report.

CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

W. RESTATEMENT OF BEGINNING FUND BALANCE

The TIRZ Fund was segregated from the General Fund in the fund financial statements which accounts for the restatement of beginning net position as noted below:

	General Fund	TIRZ Fund
Fund Balance, October 1, 2018, as previously reported	\$ 3,851,854	\$ -
Adjustment - reporting TIRZ Fund separately	(878,209)	878,209
Fund Balance, October 1, 2018, as restated	<u>\$ 2,973,645</u>	<u>\$ 878,209</u>

X. PRINCETON ECONOMIC DEVELOPMENT CORPORATION

In accordance with GASB Statement No. 14, the Financial Reporting Entity, as amended by GASB Statement No. 39, the Princeton Economic Development Corporation ("EDC") is a discretely presented component on the combined financial statements. The EDC was incorporated October 1, 2005 and is governed by a seven-member board appointed by and serving at the pleasure of the City Council. The funding for EDC occurs by the City transferring 1/4 sales tax revenues collected by the City. The purpose for which the EDC is organized and may issue or incur bonds or other obligations on behalf of the City for the promotion and development of commercial, industrial and manufacturing enterprises, promotion, development and expansion of business enterprises, and to promote and encourage employment and public welfare.

COMPLIANCE AND ACCOUNTABILITY

a. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None	n/a

b. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Violation</u>	<u>Action Taken</u>
None	n/a

1. Deposits and Investments

Cash and investments as of September 30, 2019 consist of and are classified in the accompanying financial statements as follows:

Statement of Net Position:

Primary Government	
Total Cash and Cash Equivalents	<u>\$ 1,385,473</u>
Savings and checking accounts	\$ 186
Investment Pools	1,385,287
Total cash and cash equivalents	<u>\$ 1,385,473</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Public Funds Investment Act and the City's Investment Policy do not contain legal or policy requirements

CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

X. PRINCETON ECONOMIC DEVELOPMENT CORPORATION

1. Deposits and Investments (*continued*)

that would limit the exposure to custodial credit risk for deposits or investments, other than the following provisions for deposits. The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a deposit regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC at all times.

As of September 30, 2019, EDC had the following investment:

Investment Type	Amount	Average Maturity	Minimum Legal Rating	Rating as of Year End
TexPool	\$ 1,385,287	36	N/A	AAA-m

2. Receivables

Receivables at the end of the fiscal year were \$139,320 representing sales tax owed from the State. Receivables are collected after year-end; therefore, no allowance for uncollectible has been recorded.

3. Capital Assets

Governmental Activities	Beginning Balances	Additions	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 982,845	\$ -	\$ -	\$ 982,845
Total capital assets, not being depreciated:	982,845	-	-	982,845
Capital assets, being depreciated:				
Infrastructure	503,434	-	-	503,434
Machinery & Equipment	9,275	7,003	-	16,278
Total capital assets being depreciated:	512,709	7,003	-	519,712
Less accumulated depreciation for:				
Infrastructure	-	(12,586)	-	(12,586)
Machinery & Equipment	(9,275)	(584)	-	(9,859)
Total accumulated depreciation	(9,275)	(13,170)	-	(22,445)
Total capital assets, being depreciated, net	503,434	(6,167)	-	497,267
Governmental activities capital assets, net	\$ 1,486,279	\$ (6,167)	-	\$ 1,480,112

4. Long-Term Obligations

A summary of long-term obligations for the year ended September 30, 2019 is as follows:

Description	Interest Rate Payable	Amounts Issued	Amounts Outstanding September 30, 2018	Issued	Retired	Amounts Outstanding September 30, 2019	Due Within One Year
Note Payable-City	0.0%	\$ 1,152,000	\$ 1,275,000	\$ -	\$ (75,000)	\$ 1,200,000	\$ 75,000
Total Notes Payable		1,152,000	1,275,000	-	(75,000)	1,200,000	75,000
Net Pension Liability		-	252	5,694	-	5,946	-
OPEB Liability		-	508	-	(8)	500	-
Compensated Absence		-	4,177	2,532	-	6,709	-
		<u>\$ 1,152,000</u>	<u>\$ 1,279,937</u>	<u>\$ 8,226</u>	<u>\$ (75,008)</u>	<u>\$ 1,213,155</u>	<u>\$ 75,000</u>

CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

X. PRINCETON ECONOMIC DEVELOPMENT CORPORATION

4. Long-Term Obligations *(continued)*

Debt service requirements are as follows:

Year Ending September 30:	Total Requirements
2020	\$ 75,000
2021	75,000
2022	75,000
2023	75,000
2024	75,000
2025-2029	375,000
2030-2034	375,000
2035	75,000
Totals	<u>\$ 1,200,000</u>

The EDC agreed to pay a portion of the 2016 Certificate of Obligations for the streets and roads, drainage, and streetscape improvements for the Industrial Park.

The EDC follows the City's policy to permit employees to accumulate earned but unused vacation and overtime not paid (comp time).

5. Health Care Coverage

During the year ended September 30, 2019, employees of the EDC were covered by a health, dental, and vision insurance plans. The City contributed \$899 per month per employee for employee coverage and \$0 for dependent's health insurance. The City contributed \$38 per employee (100% of the cost per employee) for dental insurance and \$6 per employee for vision. Employees, at their option, authorized payroll withholdings for dependent coverage. Health and dental insurance is provided by TML MultiState Intergovernmental Employee Benefit Pool and vision insurance is with Avesis.

6. Pension Plan

\$6,741 reported as deferred outflow of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the current fiscal year. Other amounts reported as deferred outflow and inflow of resources related to pension will be recognized in pension expense.

For the year ended September 30, 2019, the EDC recognized pension expense of \$378.

7. Litigation

Management is not aware of any pending or threatened litigation involving the EDC.

8. Subsequent Events

The EDC has evaluated all events and transactions that occurred after September 30, 2019 up through March 23, 2020, the date the financial statements were available to be issued. During this period, management was unaware of any subsequent events requiring disclosure other than those mentioned within the report.

CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Y. PRINCETON COMMUNITY DEVELOPMENT CORPORATION

In accordance with GASB Statement No. 14, the Financial Reporting Entity, as amended by GASB Statement No. 39, the Princeton Community Development Corporation ("CDC") is a discretely presented component on the combined financial statements. The CDC was incorporated July 3, 1997 and is governed by a seven-member board appointed by and serving at the pleasure of the City Council. The funding for CDC occurs by the City transferring 1/4 sales tax revenues collected by the City. The purpose of the CDC is for the purpose of promoting projects to enhance the community. The 4B tax proceeds may be spent on land, buildings, equipment, facilities, expenditures for targeted infrastructure, and improvements throughout the City.

COMPLIANCE AND ACCOUNTABILITY

a. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None	n/a

b. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Violation</u>	<u>Action Taken</u>
None	n/a

1. Deposits and Investments

Cash and investments as of September 30, 2019 consist of and are classified in the accompanying financial statements as follows:

Statement of Net Position:

Primary Government	
Total Cash and Cash Equivalents	<u>\$ 1,775,044</u>
Savings and checking accounts	\$ 620
Investment Pools	<u>1,774,424</u>
Total cash and cash equivalents	<u><u>\$ 1,775,044</u></u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Public Funds Investment Act and the City's Investment Policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provisions for deposits. The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a deposit regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC at all times.

As of September 30, 2019, CDC had the following investment:

<u>Investment Type</u>	<u>Amount</u>	<u>Average Maturity</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>
TexPool	<u>\$ 1,774,424</u>	36	N/A	AAA-m

CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Y. PRINCETON COMMUNITY DEVELOPMENT CORPORATION *(continued)*

2. Receivables

Receivables at the end of the fiscal year were \$139,320 representing sales tax owed from the State. Receivables are collected after year-end; therefore, no allowance for uncollectible has been recorded.

3. Capital Assets

Governmental Activities	Beginning Balances	Additions	Decreases	Ending Balances
Capital assets, not being depreciated:				
Construction in progress	\$ 71,022	\$ 116,492	\$ -	\$ 187,514
Total capital assets, not being depreciated:	71,022	116,492	-	187,514
Capital assets, being depreciated:				
Building and improvements	138,557	-	-	138,557
Machinery and equipment	9,275	-	-	9,275
Total capital assets being depreciated:	147,832	-	-	147,832
Less accumulated depreciation for:				
Building and improvements	(11,835)	(3,464)	-	(15,299)
Machinery and equipment	(9,275)	-	-	(9,275)
Total accumulated depreciation	(21,110)	(3,464)	-	(24,574)
Total capital assets, being depreciated, net	126,722	(3,464)	-	123,258
Governmental activities capital assets, net	\$ 197,744	\$ 113,028	\$ -	\$ 310,772

4. Construction Commitments

The CDC has one active construction project as of September 30, 2019 for historical preservation of the Methodist Church.

<u>Project Description</u>	Project Budget Appropriation	Spent to Date	Remaining Commitment
Community Center- historical preservation	\$ 1,420,354	\$ 187,514	\$ 1,232,840

5. Long-Term Obligations

A summary of long-term obligations for the year ended September 30, 2019 is as follows:

Description	Interest Rate Payable	Amounts Issued	Amounts Outstanding September 30, 2018	Issued	Retired	Amounts Outstanding September 30, 2018	Due Within One Year
Note Payable-City	0.0%	\$ 941,259	\$ 401,722	\$ -	\$ (43,199)	\$ 358,523	\$ 42,333
Note Payable-City	2.2%	1,245,000	-	1,245,000	-	1,245,000	160,000
Total Notes Payable		2,186,259	401,722	1,245,000	(43,199)	1,603,523	202,333
Net Pension Liability		-	204	5,875	-	6,079	-
OPEB Liability		-	508.00	-	(8)	500	-
Compensated Absence		-	4,073	2,636	-	6,709	-
		<u>\$ 2,186,259</u>	<u>\$ 406,507</u>	<u>\$ 1,253,511</u>	<u>\$ (43,207)</u>	<u>\$ 1,616,811</u>	<u>\$ 202,333</u>

CITY OF PRINCETON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Y. PRINCETON COMMUNITY DEVELOPMENT CORPORATION

5. Long-Term Obligations *(continued)*

Debt service requirements are as follows:

Year Ending September 30:	Total Requirements
2020	\$ 202,333
2021	207,940
2022	210,245
2023	215,910
2024	218,075
2025-2029	549,020
Totals	<u>\$ 1,603,523</u>

The CDC agreed to pay a portion of the City's 2011 General Obligation bonds.

The CDC agreed to pay \$1,245,000 of the 2019 Tax Note for the improvements to the Community Center.

The CDC follows the City's policy to permit employees to accumulate earned but unused vacation and overtime not paid (comp time).

6. Health Care Coverage

During the year ended September 30, 2019, employees of the CDC were covered by a health, dental, and vision insurance plans. The City contributed \$899 per month per employee for employee coverage and \$0 for dependent's health insurance. The City contributed \$38 per employee (100% of the cost per employee) for dental insurance and \$6 per employee for vision. Employees, at their option, authorized payroll withholdings for dependent coverage. Health and dental insurance is provided by TML MultiState Intergovernmental Employee Benefit Pool and vision insurance is with Avesis.

7. Pension Plan

\$6,741 reported as deferred outflow of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the current fiscal year. Other amounts reported as deferred outflow and inflow of resources related to pension will be recognized in pension expense.

For the year ended September 30, 2019, the CDC recognized pension expense of \$378.

8. Litigation

Management is not aware of any pending or threatened litigation involving the CDC.

9. Subsequent Events

The CDC has evaluated all events or transactions that occurred after September 30, 2019 up through March 23, 2020, the date the financial statements were available to be issued. During this period, management was unaware of any subsequent events requiring disclosure other than those mentioned within this report.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF PRINCETON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
LAST FIVE FISCAL YEARS (UNAUDITED)**

	FISCAL YEAR				
	2015	2016	2017	2018	2019
Actuarially determined contribution	\$ 266,073	\$ 249,164	\$ 349,031	\$ 442,183	\$ 526,626
Contributions in relation to the actuarially determined contribution	\$ 253,243	\$ 253,725	\$ 348,680	\$ 441,024	\$ 527,057
Contributions deficiency (excess)	\$ 12,830	\$ (4,561)	\$ 351	\$ 1,159	\$ (431)
Covered payroll	\$ 2,348,391	\$ 2,348,391	\$ 3,274,210	\$ 4,098,083	\$ 4,898,846
Contributions as a percentage of covered payroll	11.33%	10.61%	10.66%	10.79%	10.75%

Notes: The schedule is intended to show information for 10 years. Additional years will be displayed as they become available. GASB 68, paragraph 81.2.b requires that the data in this schedule be presented as of the City's fiscal year as opposed to the time period covered by the measurement date.

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and becomes effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	27 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information:

Notes There were no benefit changes during the year.

**CITY OF PRINCETON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
LAST FIVE FISCAL YEARS (UNAUDITED)**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS-TMRS**

	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Total pension liability					
Service cost	\$ 729,872	\$ 588,068	\$ 422,523	\$ 339,669	\$ 270,343
Interest (on the Total Pension Liability)	422,272	365,981	318,863	302,819	281,321
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	74,525	43,938	94,966	(104,990)	(89,706)
Change of assumptions	-	-	-	4,858	-
Benefit payments, including refund of employee contributions	(227,937)	(241,953)	(200,204)	(171,543)	(207,466)
Net Change in Total Pension Liability	998,732	756,034	636,148	370,813	254,492
Total Pension Liability - Beginning	6,004,918	5,248,884	4,612,736	4,241,923	3,987,431
Total Pension Liability - Ending (a)	\$ 7,003,650	\$ 6,004,918	\$ 5,248,884	\$ 4,612,736	\$ 4,241,923
Plan Fiduciary Net Position					
Contributions - employers	\$ 462,168	\$ 368,823	\$ 264,028	\$ 228,154	\$ 166,531
Contributions - employees	299,830	242,288	173,775	142,462	127,401
Net investment income	(174,886)	666,064	289,272	6,036	216,789
Benefit payments, including refund of employee contributions	(227,937)	(241,953)	(200,204)	(171,543)	(207,466)
Administrative expense	(3,385)	(3,458)	(3,275)	(3,676)	(2,263)
Other	(177)	(175)	(176)	(182)	(186)
Net Change in Plan Fiduciary Net Position	355,613	1,031,589	523,420	201,251	300,806
Plan Fiduciary Net Position - Beginning	5,846,289	4,814,700	4,291,280	4,090,029	3,789,223
Plan Fiduciary Net Position - Ending (b)	\$ 6,201,902	\$ 5,846,289	\$ 4,814,700	\$ 4,291,280	\$ 4,090,029
Net Pension Liability - Ending (a)-(b)	\$ 801,748	\$ 158,629	\$ 434,184	\$ 321,456	\$ 151,894
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	88.55%	97.36%	91.73%	93.03%	96.42%
Covered Payroll	\$ 4,283,289	\$ 3,274,210	\$ 2,482,506	\$ 2,035,165	\$ 1,820,011
Net Pension Liability as a Percentage of Covered Payroll	18.72%	4.84%	17.49%	15.80%	8.35%

Notes to Schedule:

N/A

Note: The schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**CITY OF PRINCETON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
LAST TWO FISCAL YEARS (UNAUDITED)**

	FISCAL YEAR	
	2018	2017
Actuarially determined contribution	\$ 4,918	\$ 4,584
Contributions in relation to the actuarially determined contribution	\$ 5,140	\$ 4,851
Contributions deficiency (excess)	\$ (222)	\$ (267)
Covered payroll	\$ 4,098,083	\$ 3,274,210
Contributions as a percentage of covered payroll	0.12%	0.14%

Notes: The schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Only one year of data is presented in accordance with GASB 75.

GASB 75, paragraph 57 requires that the data in this schedule be presented as of the City's fiscal year as opposed to the time period covered by the measurement date.

Summary of Actuarial Assumptions:

Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Discount rate *	3.71%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68
Mortality rates - service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates - disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018.

**CITY OF PRINCETON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
LAST FIVE FISCAL YEARS (UNAUDITED)**

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY

	12/31/2018	12/31/2017
Total OPEB liability		
Changes for the year		
Service cost	\$ 10,280	\$ 7,269
Interest on Total OPEB Liability	2,987	2,731
Changes of benefit terms	-	-
Difference between expected and actual experience	(6,732)	-
Changes in assumptions or other inputs	(6,592)	7,271
Benefit payments **	(857)	(692)
Net Change in Total Pension Liability	(914)	16,579
Total Pension Liability - Beginning	85,531	68,952
Total Pension Liability - Ending (a)	<u>\$ 84,617</u>	<u>\$ 85,531</u>
 Covered Payroll	 \$ 4,283,289	 \$ 3,461,260
Total OPEB Liability as a Percentage of Covered Employee Payroll	 1.98%	 2.47%

** Due to SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Note: The schedule is intended to show information for 10 years. Additional years will be displayed as they become available



SUPPLEMENTARY INFORMATION

CITY OF PRINCETON, TEXAS
BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND
SEPTEMBER 30, 2019

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUE				
Taxes:				
Property	\$ 2,196,248	\$ 2,196,248	\$ 2,483,247	\$ 286,999
Intergovernmental revenues	118,199	118,199	118,199	-
Miscellaneous	7,500	7,500	20,492	12,992
Total Revenues	<u>2,321,947</u>	<u>2,321,947</u>	<u>2,621,938</u>	<u>299,991</u>
EXPENDITURES				
General Government	2,250	2,250	1,247,891	(1,245,641)
Debt service:				
Principal retirement	1,736,600	1,736,600	1,846,600	(110,000)
Issuance costs	-	-	63,840	(63,840)
Interest	534,036	534,036	503,586	30,450
Total Expenditures	<u>2,272,886</u>	<u>2,272,886</u>	<u>3,661,917</u>	<u>(1,389,031)</u>
Excess (deficiency) of revenues over (under) expenditures	49,061	49,061	(1,039,979)	(1,089,040)
Other Financing Sources (Uses)				
Transfers	(31,879)	(31,879)	(6,513,039)	(6,481,160)
Issuance of tax note	-	-	7,790,000	7,790,000
Total Other Financing Sources (uses)	<u>(31,879)</u>	<u>(31,879)</u>	<u>1,276,961</u>	<u>1,308,840</u>
Net Change in Fund Balances	17,182	17,182	236,982	219,800
Fund Balance, October 1	2,336,466	2,336,466	2,336,466	
Prior Period Adjustments	-	-	(1,676,722)	
Fund Balance, September 30	<u>\$ 2,353,648</u>	<u>\$ 2,353,648</u>	<u>\$ 896,726</u>	

**CITY OF PRINCETON, TEXAS
BALANCE SHEET
ECONOMIC DEVELOPMENT CORPORATION
SEPTEMBER 30, 2019**

	EDC Operating Fund
ASSETS	
Cash and cash equivalents	\$ 1,385,473
Receivables, net of allowance for uncollectibles	139,320
Prepaid item	2,000
Total Assets	<u>1,526,793</u>
LIABILITIES	
Accounts payable	44,634
Other liabilities	57
Accrued expenses	1,017
Total Liabilities	<u>45,708</u>
FUND BALANCES	
Committed:	
Projects	533,460
Community events	17,000
Debt service	75,000
Unassigned	855,625
Total Fund Balances	<u>1,481,085</u>
Total Liabilities and Fund Balances	<u>\$ 1,526,793</u>

**CITY OF PRINCETON, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
ECONOMIC DEVELOPMENT CORPORATION
SEPTEMBER 30, 2019**

Total fund balances - governmental funds balance sheet **\$ 1,481,085**

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds:

Governmental capital assets	1,502,558
Less: accumulated depreciation	(22,446)

Long-term liabilities that pertain to governmental funds are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Included with amounts related to net pension liability are deferred outflows of resources and deferred inflows of resources that are attributable to the multiple-employer pension plan. Balances at year-end are:

Note payable	(1,200,000)
Compensated absence balance	(6,709)
Net pension liability	(5,946)
Net OPEB liability	(500)
Deferred outflow/inflow of resources - pension plan	6,688

Net assets of governmental activities - statement of net position **\$ 1,754,730**

**CITY OF PRINCETON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
ECONOMIC DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	EDC Operating Fund
REVENUE	
Sales taxes	\$ 769,635
Investment income	32,626
Total Revenues	<u>802,261</u>
EXPENDITURES	
Current:	
Personnel	57,629
Contract services	484,826
Promotional and advertising	15,327
Supplies and maintenance	6,962
Office expenses and supplies	19,986
Capital outlay	7,003
Debt service:	
Principal retirement	75,000
Total Expenditures	<u>666,733</u>
Net change in fund balance	135,528
Fund Balance, October 1	<u>1,345,557</u>
Fund Balance, September 30	<u><u>\$ 1,481,085</u></u>

**CITY OF PRINCETON, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
ECONOMIC DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Net change in fund balance - statement of revenues, expenditures and changes in fund balance - governmental funds	\$ 135,528
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount of capital outlay during the current period.	7,003
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Depreciation on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation is not reported as in the governmental funds.	(13,170)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Principal paid - note	75,000
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Certain expenses related to employee compensation and benefits are reported in the statement of activities but do not require the use of financial resources, and, therefore, are not reported as expenditures in governmental funds:

Change in compensated absence balances	(2,536)
Change in net pension liability and deferred inflows/outflows	(378)
Change in total OPEB liability and deferred inflows/outflows	(100)

Change in net position - statement of activities	\$ 201,347
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**CITY OF PRINCETON, TEXAS
BALANCE SHEET
COMMUNITY DEVELOPMENT CORPORATION
SEPTEMBER 30, 2019**

	CDC Operating Fund
ASSETS	
Cash and cash equivalents	\$ 1,775,044
Receivables, net of allowance for uncollectibles	139,320
Prepaid item	2,000
Total Assets	<u>1,916,364</u>
Liabilities	
Accounts payable	5,585
Accrued expenses	1,017
Total Liabilities	<u>6,602</u>
Fund Balances	
Committed:	
Community events	26,000
Projects	1,428,838
Debt	43,199
Unassigned	411,725
Total Fund Balances	<u>1,909,762</u>
Total Liabilities and Fund Balances	<u>\$ 1,916,364</u>

CITY OF PRINCETON, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
COMMUNITY DEVELOPMENT CORPORATION
SEPTEMBER 30, 2019

Total fund balances - governmental funds balance sheet **\$ 1,909,762**

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds:

Governmental capital assets	335,346
Less: accumulated depreciation	(24,574)

Long-term liabilities that pertain to governmental funds are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Included with amounts related to net pension liability are deferred outflows of resources and deferred inflows of resources that are attributable to the multiple-employer pension plan. Balances at year-end are:

Note payable	(1,603,523)
Compensated absence balance	(6,708)
Net pension liability	(6,080)
Net OPEB liability	(500)
Deferred outflow of resources - pension plan	6,747
Deferred inflow of resources - pension plan	(53)

Net assets of governmental activities - statement of net position **\$ 610,417**

**CITY OF PRINCETON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
COMMUNITY DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	CDC Operating Fund
REVENUE	
Sales taxes	\$ 769,636
Investment income	24,886
Total Revenues	<u>794,522</u>
EXPENDITURES	
Current:	
Personnel	57,710
Contract services	22,666
Supplies & maintenance	7,257
Project costs	749,612
Community events	32,085
Capital outlay	116,492
Debt service:	
Principal retirement	43,199
Issuance of debt	12,160
Total Expenditures	<u>1,041,181</u>
Excess (deficiency) of revenues over (under	(246,659)
OTHER FINANCING SOURCES (USES)	
Tax note proceeds	1,245,000
Total other financing sources (uses)	<u>1,245,000</u>
Net change in fund balance	998,341
Fund Balance, October 1	911,421
Fund Balance, September 30	<u><u>\$ 1,909,762</u></u>

**CITY OF PRINCETON, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
COMMUNITY DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Net change in fund balance - statement of revenues, expenditures and changes in fund balance - governmental funds	\$ 998,341
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount of capital outlay during the current period.	116,492
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Depreciation on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation is not reported as expenditures in the governmental funds.	(3,464)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Principal paid - note	43,199
Issuance of debt - tax note	(1,245,000)

Certain expenses related to employee compensation and benefits are reported in the statement of activities but do not require the use of financial resources, and, therefore, are not reported as expenditures in governmental funds:

Change in compensated absence balances	(2,636)
Change in net pension liability and deferred inflows/outflows	(378)
Change in total OPEB liability and deferred inflows/outflows	<u>(100)</u>

Change in net position - statement of activities	<u><u>\$ (93,546)</u></u>
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CITY OF PRINCETON, TEXAS
BUDGETARY COMPARISON SCHEDULE - ECONOMIC DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Sales Taxes	\$ 690,000	\$ 765,478	\$ 769,635	\$ 4,157
Investment Income	10,000	10,000	32,626	22,626
Total Revenues	<u>700,000</u>	<u>775,478</u>	<u>802,261</u>	<u>26,783</u>
EXPENDITURES				
Current:				
Economic Development	355,008	593,486	584,730	8,756
Capital Outlays	-	-	7,003	(7,003)
Debt Service:				
Principal Retirement	75,000	75,000	75,000	-
Total Expenditures	<u>430,008</u>	<u>668,486</u>	<u>666,733</u>	<u>1,753</u>
Net Change in Fund Balance	269,992	106,992	135,528	28,536
Fund Balance, October 1	<u>1,345,557</u>	<u>1,345,557</u>	<u>1,345,557</u>	
Fund Balance, September 30	<u><u>\$ 1,615,549</u></u>	<u><u>\$ 1,452,549</u></u>	<u><u>\$ 1,481,085</u></u>	

CITY OF PRINCETON, TEXAS
BUDGETARY COMPARISON SCHEDULE - COMMUNITY DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Sales Taxes	\$ 690,000	\$ 690,000	\$ 769,636	\$ 79,636
Investment Income	10,000	10,000	24,886	14,886
Total Revenues	<u>700,000</u>	<u>700,000</u>	<u>794,522</u>	<u>94,522</u>
EXPENDITURES				
Current:				
Community Development	1,223,283	2,312,261	869,330	1,442,931
Capital Outlays	175,000	1,407,840	116,492	1,291,348
Debt Service:				
Principal Retirement	43,199	55,359	43,199	12,160
Issuance Cost	-	-	12,160	(12,160)
Total Expenditures	<u>1,441,482</u>	<u>3,775,460</u>	<u>1,041,181</u>	<u>2,734,279</u>
Excess (deficiency) of revenues over (under) expenditures	(741,482)	(3,075,460)	(246,659)	2,828,801
OTHER FINANCING SOURCES (USES)				
Tax note proceeds	-	1,245,000	1,245,000	-
Total other financing sources (uses)	<u>-</u>	<u>1,245,000</u>	<u>1,245,000</u>	<u>-</u>
Net Change in Fund Balance	(741,482)	(1,830,460)	998,341	2,828,801
Fund Balance, October 1	<u>911,421</u>	<u>911,421</u>	<u>911,421</u>	
Fund Balance, September 30	<u>\$ 169,939</u>	<u>\$ (919,039)</u>	<u>\$ 1,909,762</u>	

STATISTICAL SECTION (UNAUDITED)

STATISTICAL SECTION

(unaudited)

This part of the City of Princeton's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures and required supplementary information says about the City's overall financial health. This information has not been audited by the independent auditor.

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Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

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Revenue Capacity

These schedules contain information to help the reader assess the City's ability to generate its property and sales taxes.

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Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

100

Economic and Demographic Information

These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.

105

Operating Information

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

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**CITY OF PRINCETON, TEXAS
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)
(unaudited)**

Table 1

	FISCAL YEAR				
	2010	2011	2012	2013	2014
Governmental activities					
Net investment in capital assets	\$ 3,603,140	\$ 2,472,934	\$ 5,151,105	\$ 6,626,161	\$ 6,640,339
Restricted	354,706	5,128,261	2,162,925	642,768	2,990,401
Unrestricted	731,737	70,229	666,375	2,317,036	483,094
Total governmental activities net position	<u>4,689,583</u>	<u>7,671,424</u>	<u>7,980,405</u>	<u>9,585,965</u>	<u>10,113,834</u>
Business-type activities					
Net investment in capital assets	1,924,566	3,828,257	3,572,269	3,460,166	4,876,332
Restricted	323,770	734,362	620,769	766,049	808,064
Unrestricted	2,983,938	968,438	1,115,827	1,192,221	1,839,812
Total business-type activities net position	<u>5,232,274</u>	<u>5,531,057</u>	<u>5,308,865</u>	<u>5,418,436</u>	<u>7,524,208</u>
Primary government					
Net investment in capital assets	5,527,706	6,301,191	8,723,374	10,086,327	11,516,671
Restricted	678,476	5,862,623	2,783,694	1,408,817	3,798,465
Unrestricted	3,715,675	1,038,667	1,782,202	3,509,257	2,322,906
Total primary government net position	<u>\$ 9,921,857</u>	<u>\$ 13,202,481</u>	<u>\$ 13,289,270</u>	<u>\$ 15,004,401</u>	<u>\$ 17,638,042</u>

	FISCAL YEAR				
	2015	2016	2017	2018	2019
Governmental activities					
Net investment in capital assets	\$ 7,305,692	\$ 8,075,220	\$ 16,457,417	\$ 22,926,273	\$ 12,622,746
Restricted	3,152,746	4,140,512	2,539,370	7,211,360	13,237,763
Unrestricted	1,357,720	1,710,252	2,075,253	2,666,324	16,417,920
Total governmental activities net position	<u>11,816,158</u>	<u>13,925,984</u>	<u>21,072,040</u>	<u>32,803,957</u>	<u>42,278,429</u>
Business-type activities					
Net investment in capital assets	5,104,136	6,631,526	11,785,446	20,496,075	24,609,087
Restricted	994,498	1,851,788	3,153,343	3,465,755	5,523,425
Unrestricted	2,197,241	2,278,245	2,695,126	4,435,377	5,410,600
Total business-type activities net position	<u>8,295,875</u>	<u>10,761,559</u>	<u>17,633,915</u>	<u>28,397,207</u>	<u>35,543,112</u>
Primary government					
Net investment in capital assets	12,409,828	14,706,746	28,242,863	43,422,348	37,231,833
Restricted	4,147,244	5,992,300	5,692,713	10,677,115	18,761,188
Unrestricted	3,554,961	3,988,497	4,770,379	7,101,701	21,828,520
Total primary government net position	<u>\$ 20,112,033</u>	<u>\$ 24,687,543</u>	<u>\$ 38,705,955</u>	<u>\$ 61,201,164</u>	<u>\$ 77,821,541</u>

**CITY OF PRINCETON, TEXAS
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)
(unaudited)**

	FISCAL YEAR			
	2010	2011	2012	2013
EXPENSES				
Governmental activities:				
General government	\$ 525,180	\$ 787,033	\$ 541,838	\$ 704,619
Public safety	1,233,166	1,310,826	1,374,721	1,380,786
Public services and operations	246,159	272,659	274,184	294,647
Parks and recreation	242,239	197,735	294,768	307,933
Library	-	-	-	-
Public works	409,971	562,550	442,915	603,570
Interest on long-term debt	328,953	322,897	289,026	262,039
Total government activities expenses	<u>2,985,668</u>	<u>3,453,700</u>	<u>3,217,452</u>	<u>3,553,594</u>
Business-type activities:				
Water and sewer	3,220,575	3,837,065	3,837,603	4,318,861
Storm water drainage	-	-	-	-
Total business-type activities expenses	<u>3,220,575</u>	<u>3,837,065</u>	<u>3,837,603</u>	<u>4,318,861</u>
Total primary government expenses	<u>6,206,243</u>	<u>7,290,765</u>	<u>7,055,055</u>	<u>7,872,455</u>
PROGRAM REVENUES				
Governmental activities:				
Charge for services:				
General government	-	-	-	-
Public safety	249,280	267,848	234,570	271,837
Public services and operations	-	-	-	-
Parks and recreation	14,119	9,421	15,489	17,972
Library	-	-	-	-
Public works	246,784	224,209	259,738	291,606
Operating grants and contributions	16,321	39,182	213,574	1,015,344
Capital grants and contributions	21,045	3,400	200,014	849,804
Total governmental activities program revenues	<u>547,549</u>	<u>544,060</u>	<u>923,385</u>	<u>2,446,563</u>
Business-type activities:				
Charge for services:				
Water and sewer	3,191,055	3,850,211	3,694,915	4,382,048
Storm water drainage	-	-	-	-
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	239,917	145,353	74,680
Total business-type activities program revenues	<u>3,191,055</u>	<u>4,090,128</u>	<u>3,840,268</u>	<u>4,456,728</u>
Total primary government program revenues	<u>3,738,604</u>	<u>4,634,188</u>	<u>4,763,653</u>	<u>6,903,291</u>
NET (EXPENSE)/REVENUE				
Governmental activities	(2,438,119)	(2,909,640)	(2,294,067)	(1,107,031)
Business-type activities	(29,520)	253,063	2,665	137,867
Total primary government program revenues				
Net Expenses	<u>(2,467,639)</u>	<u>(2,656,577)</u>	<u>(2,291,402)</u>	<u>(969,164)</u>

FISCAL YEAR					
2014	2015	2016	2017	2018	2019
\$ 728,324	\$ 666,193	\$ 789,760	\$ 861,576	\$ 1,009,624	\$ 2,332,105
1,244,648	1,335,532	1,562,609	3,050,330	4,014,770	4,559,343
497,095	697,081	893,941	886,973	1,353,362	1,217,468
245,950	493,077	552,517	527,723	706,987	1,000,471
-	102,133	129,687	151,936	169,895	251,596
1,113,223	1,232,485	1,381,286	1,642,760	1,743,261	2,672,048
215,011	311,418	390,417	544,788	623,667	538,930
4,044,251	4,837,919	5,700,217	7,666,086	9,621,566	12,571,961
4,449,142	4,676,918	6,062,226	6,183,258	7,343,569	9,011,378
-	-	-	232,136	513,498	413,028
4,449,142	4,676,918	6,062,226	6,415,394	7,857,067	9,424,406
8,493,393	9,514,837	11,762,443	14,081,480	17,478,633	21,996,367
-	115,000	115,000	265,178	265,191	576,821
353,545	294,989	348,441	25,690	36,740	39,734
-	-	130,204	2,324,727	2,842,392	2,626,781
83,217	45,086	-	146,968	566,573	1,744,437
-	-	-	6,913	7,379	7,186
724,455	763,325	1,292,208	1,430,930	1,989,613	1,797,946
148,283	20,258	8,129	422,920	478,064	495,349
266,308	2,112,676	1,908,221	5,385,169	9,084,326	6,177,007
1,575,808	3,351,334	3,802,203	10,008,495	15,270,278	13,465,261
4,812,038	5,214,972	6,754,857	9,563,489	12,320,362	11,629,555
-	-	-	319,409	359,638	408,288
-	-	-	-	-	800
-	118,855	1,439,081	4,449,124	5,517,586	4,558,040
4,812,038	5,333,827	8,193,938	14,332,022	18,197,586	16,596,683
6,387,846	8,685,161	11,996,141	24,340,517	33,467,864	30,061,944
(2,468,443)	(1,486,585)	(1,898,014)	2,342,409	5,648,712	893,300
362,896	656,909	2,131,712	7,916,628	10,340,519	7,172,277
(2,105,547)	(829,676)	233,698	10,259,037	15,989,231	8,065,577
(continued)					

CITY OF PRINCETON, TEXAS
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)
(unaudited)

	FISCAL YEAR			
	2010	2011	2012	2013
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
Governmental activities:				
Taxes:				
Property	\$ 2,082,305	\$ 2,060,352	\$ 2,072,551	\$ 2,131,994
Sales	368,307	387,708	447,973	501,970
Franchise	211,703	227,551	225,711	189,738
Beverage	2,724	-	2,368	3,190
Investment income	18,541	9,552	15,913	11,114
Miscellaneous	30,864	336,730	45,765	47,026
Intergovernmental	2,592,361	2,896,341	-	-
Transfers	(54,097)	(26,753)	609	(32,841)
Total government activities	<u>5,252,708</u>	<u>5,891,481</u>	<u>2,810,890</u>	<u>2,852,191</u>
Business-type activities:				
Investment income	3,293	757	256	332
Miscellaneous	22,381	18,210	1,491	1,931
Intergovernmental revenue	-	-	-	-
Extraordinary items	75,000	-	-	-
Transfers	54,097	26,753	(609)	32,841
Total business-type activities	<u>154,771</u>	<u>45,720</u>	<u>1,138</u>	<u>35,104</u>
Total primary government	<u>5,407,479</u>	<u>5,937,201</u>	<u>2,812,028</u>	<u>2,887,295</u>
CHANGE IN NET POSITION				
Governmental activities	2,814,589	2,981,841	516,823	1,745,160
Business-type activities	125,251	298,783	3,803	172,971
Total primary government	<u>2,939,840</u>	<u>3,280,624</u>	<u>520,626</u>	<u>1,918,131</u>

Table 2
(continued)

FISCAL YEAR					
2014	2015	2016	2017	2018	2019
\$ 2,228,700	\$ 2,483,190	\$ 2,859,709	\$ 3,539,491	\$ 4,581,813	\$ 6,053,199
572,515	626,981	918,489	1,267,448	1,327,813	1,540,373
216,724	198,430	190,838	262,549	338,887	401,613
1,861	-	-	2,984	5,698	4,466
6,702	3,938	15,937	76,593	112,237	248,494
54,360	59,820	55,358	5,270	28,387	23,171
-	-	-	-	-	-
(84,550)	(132,418)	(32,491)	(33,491)	(317,115)	254,021
2,996,312	3,239,941	4,007,840	5,120,844	6,077,720	8,525,337
4,167	6,005	10,929	24,525	80,657	165,375
3,856	3,148	10,463	32,888	41,261	62,274
-	-	231,150	-	-	-
-	-	-	-	-	-
84,550	132,418	32,491	33,491	317,115	(254,021)
92,573	141,571	285,033	90,904	439,033	(26,372)
3,088,885	3,381,512	4,292,873	5,211,748	6,516,753	8,498,965
527,869	1,753,356	2,109,826	7,463,253	11,726,432	9,418,637
455,469	798,480	2,416,745	8,007,532	10,779,552	7,145,905
983,338	2,551,836	4,526,571	15,470,785	22,505,984	16,564,542

CITY OF PRINCETON, TEXAS**Table 3****GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE****LAST TEN FISCAL YEARS****(accrual basis of accounting)****(unaudited)**

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Alcoholic Beverage Tax	Total
2010	\$ 2,082,305	\$ 368,307	\$ 211,703	\$ 2,724	\$ 2,665,039
2011	2,060,352	387,708	227,551	3,542	2,679,153
2012	2,072,551	447,973	225,711	2,368	2,748,603
2013	2,131,994	501,970	189,738	3,190	2,826,892
2014	2,228,700	572,515	216,724	1,861	3,019,800
2015	2,483,190	626,981	313,430	2,614	3,426,215
2016	2,859,709	918,489	305,838	2,796	4,086,832
2017	3,539,491	1,267,448	262,549	2,984	5,072,472
2018	4,581,813	1,327,813	338,887	5,698	6,254,211
2019	6,053,199	1,540,373	401,613	4,466	7,999,651

CITY OF PRINCETON, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(unaudited)

Table 4

	FISCAL YEAR				
	2010	2011	2012	2013	2014
General Fund					
Nonspendable-prepaid	\$ -	\$ -	\$ 9,751	\$ -	\$ -
Restricted for:					
Court use	64,418	8,828	11,136	13,472	82,263
Capital improvements	-	-	-	-	69,761
PEG capital	-	-	7,478	16,915	23,965
Committed for:					
Public safety	-	18,731	89,034	104,114	102,263
Capital improvements	3,468,661	-	-	-	-
Assigned for:					
General government					2,362
Police	1,084	1,084	4,015	-	-
Unassigned	402,869	(273,162)	(144,933)	8,211	517,024
Total General Fund	<u>3,937,032</u>	<u>(244,519)</u>	<u>(23,519)</u>	<u>142,712</u>	<u>797,638</u>
All Other Governmental Funds					
Restricted for:					
Debt service	290,288	342,532	372,018	436,983	431,132
Capital improvements	122,361	4,771,097	2,496,018	2,641,610	2,452,981
Committed for:					
Parks	-	-	-	239,739	-
	<u>\$ 412,649</u>	<u>\$ 5,113,629</u>	<u>\$ 2,868,036</u>	<u>\$ 3,318,332</u>	<u>\$ 2,884,113</u>
	FISCAL YEAR				
	2015	2016	2017	2018	2019
General Fund					
Nonspendable					
Prepaid	\$ -	\$ -	\$ -	\$ 21,133	\$ 33,282
Inventory	-	-	-	12,116	15,855
Restricted for:					
Court use	96,279	78,136	80,953	103,720	127,968
Public Safety	-	-	-	3,681	4,807
PEG capital	31,804	39,576	41,862	41,862	46,391
Committed for:					
Parks and recreation	-	-	-	-	2,000
Public Safety	66,009	68,584	3,659	-	22,806
Public works	-	-	-	-	19,600
Development	-	-	289,037	-	12,500
Assigned for:					
Development	-	-	6,500	10,500	-
Public safety	-	-	78,998	37,570	-
Public works	-	-	20,000	7,453	-
General government	2,362	2,362	-	-	-
Unassigned	733,619	1,530,097	1,497,135	1,857,401	1,930,490
Total General Fund	<u>930,073</u>	<u>1,718,755</u>	<u>2,018,144</u>	<u>2,095,436</u>	<u>2,215,699</u>
All Other Governmental Funds					
Restricted for:					
Debt service	388,020	917,661	2,346,400	2,336,466	896,726
Capital improvements	2,636,643	3,105,139	7,551,911	4,109,911	9,768,641
Committed for:					
Public safety	-	-	4,500	-	-
Parks	48,019	239,741	190,718	190,718	558,571
Assigned for:					
Public safety	-	-	-	4,500	984,621
Parks	-	-	-	424,183	854,845
	<u>\$ 3,072,682</u>	<u>\$ 4,262,541</u>	<u>\$ 10,093,529</u>	<u>\$ 6,637,095</u>	<u>\$ 13,063,404</u>

CITY OF PRINCETON, TEXAS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(unaudited)

	FISCAL YEAR			
	2010	2011	2012	2013
REVENUES				
Property taxes	\$ 2,102,158	\$ 2,052,550	\$ 2,108,665	\$ 2,148,647
Non-property taxes	582,734	618,801	676,052	694,898
License and permits	246,784	222,194	259,738	291,606
Fines/Court	210,408	204,011	195,497	223,980
Charges for services	52,991	48,252	69,510	91,097
Administrative fees	-	-	-	-
Impact fees	-	-	-	-
Grants and contributions	37,366	40,484	159,988	85,994
Developer fees	-	-	-	-
Donations	11,496	306,348	11,722	17,680
Investment income	18,542	9,552	15,913	11,114
Intergovernmental	2,592,361	2,862,740	246,248	768,746
Miscellaneous	19,367	26,843	38,630	40,186
Total Revenues	5,874,207	6,391,775	3,781,963	4,373,948
EXPENDITURES				
General government	469,005	744,937	490,861	609,017
Public safety	1,144,097	1,304,248	1,174,580	1,151,292
Public works	342,198	444,451	333,393	429,004
Public services and operations	244,025	268,658	269,557	291,680
Parks and recreation	190,555	185,225	229,804	109,854
Library	40,913	-	210	133,852
Capital outlay	4,386,064	2,234,246	2,604,944	1,696,947
Debt Service:				
Principal	386,840	638,357	494,283	566,061
Interest and other charges	355,766	324,670	287,818	258,593
Issuance cost and bond refunding	-	65,000	-	28,143
Total Expenditures	7,559,463	6,209,792	5,885,450	5,274,443
OTHER FINANCING SOURCES (USES)				
Note/Bond proceeds	250,000	1,481,682	114,066	1,549,861
Payments to bond refunding escrow agent	-	(1,144,500)	-	-
Net cost of issuance premium/(discount)	-	-	-	-
Sales of assets	-	27,021	-	-
Capital lease proceeds	-	-	-	-
Transfers	(54,097)	(26,753)	609	(32,841)
Total Other financing Sources (Uses)	195,903	337,450	114,675	1,517,020
NET CHANGE IN FUND BALANCES	\$ (1,489,353)	\$ 519,433	\$ (1,988,812)	\$ 616,525
Debt Service as a percentage of noncapital expenditures	23.40%	24.63%	23.84%	23.23%

Table 5

FISCAL YEAR					
2014	2015	2016	2017	2018	2019
\$ 2,229,646	\$ 2,496,373	\$ 2,868,605	\$ 3,539,491	\$ 4,596,307	\$ 6,016,963
791,100	828,025	1,112,122	1,532,981	1,672,398	1,946,452
724,455	763,325	1,292,208	1,139,145	1,324,778	1,197,053
325,175	266,473	313,762	318,666	383,154	249,793
83,217	45,086	130,204	1,058,393	1,714,903	2,013,210
-	115,000	115,000	247,703	247,703	557,703
-	-	-	1,430,930	1,913,383	1,797,946
11,525	20,258	8,129	343,855	-	-
-	-	-	-	-	959,705
17,010	14,448	16,177	20,466	26,527	180,506
6,702	3,938	15,938	76,593	112,237	248,494
217,809	1,212,846	1,177,809	1,568,006	1,836,090	1,139,930
29,947	42,759	36,385	19,260	59,090	37,774
4,436,586	5,808,531	7,086,339	11,295,489	13,886,570	16,345,529
725,630	571,945	684,955	850,758	994,127	2,291,888
1,293,428	1,445,434	1,630,932	2,897,383	3,760,715	4,144,134
460,504	700,550	748,702	755,542	661,496	903,096
276,377	476,654	636,406	872,474	1,329,191	1,171,038
95,038	403,473	460,734	443,937	604,104	766,783
95,733	103,605	117,758	141,514	159,990	216,026
494,965	2,205,877	3,917,850	6,122,703	8,902,747	4,515,865
478,089	550,866	649,425	771,122	1,133,551	2,178,435
211,565	307,171	388,396	531,818	562,245	548,043
-	68,397	84,689	68,700	-	63,840
4,131,329	6,833,972	9,319,847	13,455,951	18,108,166	16,799,148
-	1,360,000	3,245,000	8,465,000	-	7,790,000
-	-	-	-	-	-
-	89,052	202,141	26,200	-	-
-	-	-	6,000	76,230	7,154
-	29,809	182,652	110,814	1,489,406	216,890
(84,550)	(132,418)	(32,491)	22	(317,115)	254,021
(84,550)	1,346,443	3,597,302	8,608,036	1,248,521	8,268,065
\$ 220,707	\$ 321,002	\$ 1,363,794	\$ 6,447,574	\$ (2,973,075)	\$ 7,814,446
18.97%	18.54%	19.52%	17.77%	18.42%	22.20%

CITY OF PRINCETON, TEXAS
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(unaudited)

Table 6

Fiscal Year Ended Sept. 30	Real Property		Personal Property Other	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Gross Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property						
2010	\$ 278,538,937	\$ 31,462,248	\$ 24,609,961	\$ (53,436,205)	\$ 281,174,941	\$ 0.728394	\$ 334,611,146	84.03%
2011	278,592,732	33,766,205	27,487,082	(58,979,246)	280,866,773	0.728394	339,846,019	82.65%
2012	295,401,109	42,701,207	2,497,520	(59,111,138)	281,488,698	0.728394	340,599,836	82.64%
2013	293,259,335	44,359,953	233,729	(62,018,127)	275,834,890	0.728394	337,853,017	81.64%
2014	313,596,419	49,171,779	2,510,382	(63,673,035)	301,605,545	0.728394	365,278,580	82.57%
2015	364,887,976	52,483,026	2,471,089	(75,771,626)	344,070,465	0.738999	419,842,091	81.95%
2016	431,633,366	56,757,007	2,701,269	(106,120,967)	384,970,675	0.738999	491,091,642	78.39%
2017	500,547,077	67,989,329	2,949,716	(108,947,539)	462,538,583	0.721800	571,486,122	80.94%
2018	699,455,122	100,020,051	3,260,865	(184,613,386)	618,122,652	0.691890	802,736,038	77.00%
2019	905,418,021	127,502,195	3,334,546	(193,534,385)	842,720,377	0.688820	1,036,254,762	81.32%

Source: Collin County Appraisal District

Note Property is reassessed annually. Property is assessed at actual value; therefore, the assessed values are equal to the actual value.
Tax rates are per \$100 of assessed value.

**CITY OF PRINCETON, TEXAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(PER \$100 OF ASSESSED VALUE)
(unaudited)**

Table 7

Fiscal Year Ended Sept 30	City Direct Rates			Overlappy Rates*		
	Operating/ General Rate	General Obligation Debt Service	Total Direct	Princeton Independent School District	Collin County	Collin County Community College
2010	\$ 0.439990	\$ 0.288404	\$ 0.728394	\$ 1.490000	\$ 0.245000	\$ 0.086493
2011	0.439990	0.288404	0.728394	1.591400	0.245000	0.086300
2012	0.439990	0.288404	0.728394	1.490000	0.240000	0.086300
2013	0.439990	0.288404	0.728394	1.490000	0.240000	0.086299
2014	0.511969	0.227030	0.738999	1.473600	0.240000	0.083643
2015	0.511969	0.227030	0.738999	1.480000	0.237500	0.081960
2016	0.503901	0.217899	0.721800	1.620000	0.235000	0.081960
2017	0.461505	0.230381	0.691886	1.620000	0.225000	0.081222
2018	0.426465	0.263425	0.689890	1.620000	0.192246	0.079810
2019	0.402494	0.286326	0.688820	1.620000	0.180785	0.081222

**CITY OF PRINCETON, TEXAS
PRINCIPAL TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
(unaudited)**

Table 8

Taxpayer	Assessed Taxable Value FY2019	Rank	Percentage of Assessed Taxable Value
Walmart Real Estate Business Trust	\$ 17,143,899	1	2.03%
WalMart Stores Texas LLC	10,340,181	2	1.23%
D R Horton - Texas LTD	9,172,092	3	1.09%
Lennar Homes of Texas Ltd	7,756,971	4	0.92%
Charley's Concrete Company Inc	7,166,741	5	0.85%
JDFIU Princeton LLC	7,145,508	6	0.85%
Liberty Bankers Life Insurance Co	7,002,467	7	0.83%
Oncor Electric Delivery Co	6,091,085	8	0.72%
AH4R Properties LLC	5,539,802	9	0.66%
Texas New Mexico Power Co	5,197,204	10	0.62%
	<u>\$ 82,555,950</u>		
Total Assessed Value	<u>\$ 842,720,377</u>		

	Assessed Taxable Value FY2010	Rank	Percentage of Assessed Taxable Value
Edison Development Co	\$ 4,923,106	1	1.75%
KCM Holdings	2,622,704	2	0.93%
Jefferson Bank	2,220,300	3	0.79%
Princeton Village LTD	2,021,796	4	0.72%
Princeton 380 Ltd	1,740,014	5	0.62%
Gathright Marvin	1,621,086	6	0.58%
First Bank Farmersville	1,372,172	7	0.49%
JOMC Properties Inc	1,284,331	8	0.46%
Parkview Heights LLC	1,237,938	9	0.44%
Gehan Homes LTD	1,158,820	10	0.41%
	<u>\$ 20,202,267</u>		
Total Assessed Value	<u>\$ 281,174,941</u>		

CITY OF PRINCETON, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
(unaudited)

Table 9

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to-Date	
		Amount	% of Levy		Amount	% of Levy
2010	\$ 2,046,391	\$ 1,997,250	97.60%	\$ 41,580	\$ 2,038,830	99.63%
2011	2,041,553	1,999,672	97.95%	35,819	2,035,491	99.70%
2012	2,048,174	2,024,856	98.86%	17,616	2,042,472	99.72%
2013	2,101,230	2,093,767	99.64%	784	2,094,551	99.68%
2014	2,210,407	2,198,054	99.44%	2,356	2,200,410	99.55%
2015	2,449,973	2,440,330	99.61%	-	2,440,330	99.61%
2016	2,833,887	2,812,844	99.26%	4,569	2,817,413	99.42%
2017	3,605,161	3,539,491	98.18%	4,150	3,543,641	98.29%
2018	4,724,242	4,596,306	97.29%	2,363	4,598,669	97.34%
2019	5,995,210	5,866,980	97.86%	13,450	5,880,430	98.09%

Source: Collin County Appraisal District

CITY OF PRINCETON, TEXAS
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(unaudited)

Table 10

Fiscal Year	Governmental Activities				Business-type Activities			Total Primary Government	Percentage of Personal Income	Per Capita (1)
	General Obligation Bonds	Certificates of Obligations	Other Obligations	Limited Tax Note	General Obligation Bonds	Certificates of Obligations	Other Obligations			
2010	\$ 1,218,000	\$ 4,565,000	\$ 9,896	\$ 1,025,000	\$ 1,687,000	\$ 7,985,000	\$ -	\$ 16,489,896	12.95%	2,577
2011	1,439,500	4,315,000	31,521	695,000	1,610,500	7,845,000	17,756	15,954,277	11.78%	2,344
2012	1,325,600	4,315,000	105,204	355,000	1,521,400	7,700,000	11,482	15,333,686	10.14%	2,061
2013	1,321,622	4,254,295	284,804	1,285,000	1,490,600	7,550,000	3,516	16,189,837	9.64%	2,178
2014	1,206,200	4,149,963	204,915	1,110,000	1,393,800	7,395,000	-	15,459,878	12.15%	1,781
2015	1,058,200	5,421,659	150,456	935,000	1,286,800	7,230,000	105,990	16,188,105	11.83%	1,730
2016	906,500	8,435,000	260,384	755,000	7,203,500	1,130,000	150,594	18,840,978	11.92%	1,818
2017	762,200	16,801,315	224,377	570,000	7,479,800	950,000	145,972	26,933,664	10.21%	2,533
2018	695,600	16,382,202	1,626,832	-	7,352,610	760,000	596,692	27,413,936	8.39%	2,138
2019	629,000	14,415,000	1,487,508	7,790,000	6,841,000	560,000	472,977	32,195,485	6.90%	2,511

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See Table 15 for personal income and population data.

CITY OF PRINCETON, TEXAS
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(unaudited)

Table 11

Fiscal Year	Estimated Population	Assessed Property Value (1)	Gross Bonded Debt (2)	Less: Debt Service Funds (3)	Net Bonded Debt	% Net Bonded Debt to Assessed Property Value	Net Bonded Debt Per Capita
2010	6,400	\$ 281,174,941	\$ 6,817,896	\$ 328,806	\$ 6,489,090	2.42%	\$ 1,065
2011	6,807	280,866,773	6,481,021	342,532	6,138,489	2.31%	952
2012	7,440	281,488,698	6,100,804	372,018	5,728,786	2.17%	820
2013	7,469	277,934,890	7,145,721	429,895	6,715,826	2.57%	957
2014	8,769	301,605,545	6,671,078	431,132	6,239,946	2.21%	761
2015	9,356	344,070,465	7,565,315	386,489	7,178,826	2.20%	809
2016	10,632	384,970,675	10,356,884	389,971	9,966,913	2.69%	974
2017	10,632	462,538,583	18,133,515	550,692	17,582,823	3.92%	1,706
2018	12,822	618,122,652	18,704,634	659,744	18,044,890	3.03%	1,459
2019	12,822	842,720,377	22,834,000	896,725	21,937,275	2.71%	1,781

Source:

- (1) Collin County Appraisal District
- (2) Schedule of Bonds Payable and total bonds for fiscal year
- (3) Schedule of General Long-term debt and statistical section

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

**CITY OF PRINCETON, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2019
(unaudited)**

Table 12

Governmental Subdivision	Gross Bonded Debt	Percentage of Debt Applicable to Area	City Share of Overlapping Debt
Collin County	\$ 392,565,000	0.46%	\$ 1,805,799
Collin County CCD	239,445,000	0.46%	1,101,447
McKinney Independent School District	534,395,000	0.10%	534,395
Princeton Independent School District	189,588,384	56.05%	106,264,289
	<u>\$ 1,355,993,384</u>		<u>\$ 109,705,930</u>
City of Princeton			<u>\$ 30,235,000</u>
			<u>\$ 139,940,930</u>
Ratio of overlapping debt to taxable assessed valuation (valued at 100% of market value)			16.61%
Per capita overlapping bonded debt			<u>\$ 10,914</u>

Source: "Texas Municipal Report" as of September 30, 2019, prepared by the Municipal Advisory Council.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Princeton. This process recognizes that, when considering the City of Princeton's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using the taxable assessed property values. Applicable percentages were estimated by determining the portion of the overlapping government's taxable assessed value that is within the City of Princeton's boundaries and dividing it by the overlapping government's total taxable assessed value.

CITY OF PRINCETON, TEXAS
LEGAL AND DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(unaudited)

Table 13

	FISCAL YEAR									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Tax Limit Rate	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
Current Tax Rate	0.728394	0.728394	0.728394	0.728394	0.738999	0.738999	0.721800	0.691886	0.689890	0.688820
Available Tax Rate	\$ 1.7716	\$ 1.7716	\$ 1.7716	\$ 1.7716	\$ 1.7610	\$ 1.7610	\$ 1.7782	\$ 1.8081	\$ 1.8101	\$ 1.8112

Legal Debt Margin Calculation for Fiscal Year 2019

Taxable assessed value	\$ 842,720,377
Add back exempt real property	193,534,385
Total assessed value	<u><u>\$ 1,036,254,762</u></u>

Debt limit (10% of total assessed value)

Debt applicable to limit:	
Property tax supported debt	\$ 22,834,000
Less: Amount set aside for repayment of general debt	(896,725)
Total net debt applicable to limit	<u><u>\$ 21,937,275</u></u>

Legal debt margin 2.12%

**CITY OF PRINCETON, TEXAS
 PLEDGED-REVENUE COVERAGE
 LAST TEN FISCAL YEARS
 (unaudited)**

Table 14

Fiscal Year	Water and Sewer Revenue Bonds					
	Total Revenues (1)	Less: Operating Expenses (2)	Net Available Revenue	Annual Requirements		Times Coverage
				Principal	Interest	
2010	\$ 3,198,875	\$ 2,567,725	\$ 631,150	\$ 352,500	\$ 345,119	0.90
2011	3,868,421	3,324,228	544,193	216,500	463,160	0.80
2012	3,841,759	3,094,483	747,276	239,100	436,766	1.11
2013	4,383,979	3,449,737	934,242	251,800	429,508	1.37
2014	4,815,894	3,223,135	1,592,759	277,000	413,325	2.31
2015	5,218,120	3,418,349	1,799,771	288,300	401,744	2.61
2016	6,765,321	4,722,866	2,042,455	320,700	166,409	4.19
2017	6,824,537	5,163,318	1,661,219	298,400	342,428	2.59
2018	8,901,145	6,015,505	2,885,640	1,133,551	562,245	1.70
2019	10,026,242	7,365,838	2,660,404	313,400	285,866	4.44

Note: (1) Total Revenues does not include non-operating revenues

(2) Operating expenses only - does not include transfers or depreciation

**CITY OF PRINCETON, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(unaudited)**

Table 15

Fiscal Year	Estimated Population (1)	Personal Income	Per Capita income (2)	Average Age (3)	Grade School Enrollment (4)	Unemployment Rate (5)
2010	6,400	\$ 127,372,800	\$ 19,902 *	35	2,183	7.50%
2011	6,807	135,472,914	19,902 *	35	2,347	8.50%
2012	7,440	151,255,200	20,330	32	1,999	9.60%
2013	7,469	168,844,214	22,606	31	1,853	8.30%
2014	8,679	187,761,488	21,634	34	1,954	5.70%
2015	9,356	191,461,184	20,464	36	1,798	4.20%
2016	10,362	224,565,264	21,672	36	1,798	4.30%
2017	10,362	263,909,778	25,469	34	1,950	3.60%
2018	12,822	326,563,518	25,469	34	2,090	3.60%
2019	12,822	466,746,444	36,402	33	2,131	2.90%

Sources:

- 1 Kimley Horn Engineers
 - 2 United States Census Bureau
 - 3 Collin County
 - 4 Princeton ISD
 - 5 Texas Workforce Commission - (data for Collin County)
- * - Estimated by NCTCOG

**CITY OF PRINCETON, TEXAS
PRINCIPAL EMPLOYERS
SEPTEMBER 30, 2019
(unaudited)**

Table 16

Name of Employer	2019	
	No. of Employees	Rank
Princeton Independent School District	575	1
Walmart	300	2
City of Princeton	75	3
Villa Asuncion	70	4
McDonalds	36	5
Jack in the Box	25	6
Charley's Concrete	20	7
Tractor Supply	19	8
Taco Bell	12	9
Citizens State Bank	10	10
Totals	1,142	

Name of Employer	2010	
	No. of Employees	Rank
Princeton Independent School District	435	1
Asuncion Acosta Nursing Home	50	2
City of Princeton	34	3
McDonalds	23	4
Jack in the Box	21	5
Rainbow Connection Daycare	10	6
N/A	10	7
N/A	-	8
N/A	-	9
N/A	-	10
	583	

Note: Total employment within City is not available

**CITY OF PRINCETON, TEXAS
FULL-TIME EQUIVALENT CITY GOVERNMENT
EMPLOYEES BY FUNTION/PROGRAM
LAST TEN FISCAL YEARS
(unaudited)**

Table 17

Function/Program	FISCAL YEAR				
	2010	2011	2012	2013	2014
General Government	5	5	5	5	5
Police	12	12	11	,12	,12
Fire	0	0	0	1	1
Municipal Court	2	2	2	3	3
Development/Code Enforcement	2	4	4	2	4
Library	1	1	1	1	1
Community Relations	0	0	0	0	0
Municipal Services	8	3	3	0	0
Streets	1	2	2	2	2
Facilities	0	0	0	0	0
Parks and Recreation	0	0	0	0	0
Utility Administration	4	3	3	3	3
Water, Sewer	10	2	3	5	6
Storm Water	0	0	0	0	0
Total	47	46	36	36	36

Function/Program	FISCAL YEAR				
	2015	2016	2017	2018	2019
General Government	5	5	6	6	8
Police	13	12	15	21	26
Fire	1	9	16	17	17
Municipal Court	2	3	3	3	3
Development/Code Enforcement	4	3	4	5	6
Library	1	2	2	3	3
Community Relations	1	1	1	1	1
Municipal Services	0	0	0	0	0
Streets	2	3	3	3	3
Facilities	0	4	4	5	5
Parks and Recreation	0	3	4	6	6
Utility Administration	3	3	3	4	4
Water, Sewer	6	7	9	12	12
Storm Water	0	0	2	3	3
Total	39	43	55	72	97

Source: City of Budget book

*- Beginning in FY2008, Parks, Streets, and Municipal Services were combined.

In FY2016, Parks, Facilities, and Streets are separate departments

**CITY OF PRINCETON, TEXAS
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS
(unaudited)**

Table 18

Function/Program	FISCAL YEAR									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Police										
Physical arrests	293	267	291	296	352	236	364	378	591	411
Traffic violations	2,142	2,210	2,775	2,750	2,706	1,992	4,454	6,460	2,861	9,750
Fire										
Number of calls answered	973	1,215	1,254	1,355	1,536	1,555	1,929	2,100	2,213	2,040
Inspections, residential/commercial	60	35	42	33	155	168	178	189	241	N/A
Water/Sewer										
New connections	114	316	282	593	568	301	656	315	724	668
Avg daily consumption (gallons)	6,155,000	373,000	1,163,000	1,153,000	1,054,000	1,149,000	1,250,000	1,281,417	1,453,000	1,570,000
Water main breaks	24	50	100	175	188	193	143	155	282	577

Sources: City departments

N/A - information not available

* Includes residential, commercial and miscellaneous permits (fence, pools, etc)

** Parks was previously reported in the street department prior to FY2017

CITY OF PRINCETON, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(unaudited)

Table 19

Function/Program	FISCAL YEAR									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Police										
Police stations	1	1	1	1	1	1	1	1	1	1
Patrol units	4	6	6	9	11	11	12	14	15	16
Number of officers	12	12	11	,12	,12	13	12	15	15	16
Fire										
Fire Stations	1	1	1	1	1	1	1	1	1	1
Number of firefighters	0	0	0	1	1	1	9	16	17	16
Number of volunteer firefighters	N/A	N/A	18	12	16	24	22	24	24	20
Streets										
Streets (miles)	23	23	23	24	26	28	64	69	61.3	75.5
Number of street lights	175	175	175	202	232	246	309	361	420	608
Water/Sewer										
Water lines (miles)	27	27	27	27.5	27.5	30	58.8	69	80	95.7
Sanitary sewer (miles)	50	50	50	50.5	50.5	53	44.8	50	60.4	76.7

Sources: City departments

